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THE AGRARIAN PHASE OF THE MEXICAN REVOLUTION OF 1910–1920

IN 1889 Sebastián Lerdo de Tejada, who had been driven from the presidency of Mexico by the revolution of Porfirio Díaz in 1876, wrote from his exile in New York City: "I prophesy for Mexico, within a period of ten years, the most terrific and sweeping of revolutions: not a sterile struggle of outworn political parties, but a tremendous social revolution. No one will be able to prevent it or to arrest its progress; its development is slow and latent like those subterranean forces that produce cosmic cataclysms."[1] Lerdo de Tejada's calculation erred by only a trifle over a decade; he underestimated the power and longevity of his successor.

Mexico's history since the early part of the nineteenth century has been that of a struggle between the proletariat, threatened with extinction, and the privileged classes—the clergy and the landed aristocracy. The large mass of the Indian population, accustomed for centuries to a form of local self-government, might have been fitted quite readily into a modern system of administration, had not social and economic causes operated virtually to enslave them. The ills of the country are, and always have been, mainly social and economic, not political. Political commotions, though frequent, have been evanescent, confined to a small area, and limited to the few who thirsted for power and to such a following as their demagogical methods could procure.

[1] Sebastián Lerdo de Tejada, *Memorias* (Mexico, 1896), pp. 148–149.

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There have been, however, three general and widespread revolutions in Mexico: the insurrection that ended in independence, the upheaval promotive of "The Reform," and the struggle of 1910 to 1920. The first, almost purely social in its character, banished a relatively small privileged class—the Spaniards—but substituted another—the Creoles—and allowed the clergy to attain greater power. The second, also primarily social, but having in addition important economic and political elements, broke the power of the clergy, but in so doing gave a tremendous impulse to the landed aristocracy. Furthermore the reformers, in order to soften the blow that fell upon the Church, forbade civil corporations, as well as ecclesiastical, to own real estate. This brought about the gradual disintegration of the Indian communal land system and caused the masses to sink lower and lower into misery.

During the long administration of Diaz all policies had been ordered in the interest of the privileged group. Banks lent only in large amounts and to influential people. Taxes on large estates were nominal, while small properties were assessed at their full value or more. Immense concessions of land were given to the president's adherents, who in many cases were empowered to represent the government and deal directly with claimants of land. Numbers of villages and small proprietors who had possessed land from time immemorial but had no written title were despoiled. Even perfect titles did not avail to protect the lowly and uninfluential. The Reform Laws were applied fraudulently, so that when communal lands were allotted in severalty many individuals did not enjoy even transitory ownership of individual plots. In some cases the communal tract was sold as a whole in direct contravention of the law; in others the minimum *ejido*[1] of 4390 acres was allotted in severalty from the poorest part of the land and the remainder sold. Waters necessary for irrigation were awarded as exclusive concessions to presidential favorites. Lands owned by small proprietors and villages were "denounced", or claimed, by more influential persons who coveted them. Indians pro-

[1] The term is used here loosely in the sense of commons or commercial land.

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voked to armed uprising by interference with their lands suffered the loss of those lands as a punishment for rebellion. Of the total population two-thirds were in a state of peonage. The masses were helpless because the courts were utterly corrupt, and it is even charged that some state governors and cabinet members were not above acquiring the lands of villages and small owners by iniquitous methods.

The condition of the masses was far worse in 1910 than it had been in 1810. Therefore the aims of the latest struggle were more definite than those of its predecessors. A century of misery, growing by leaps and bounds after the attainment of independence, had accumulated wrongs and grievances that could no longer be borne. Concentration of wealth and monopoly of land could go no further; means of livelihood for the masses could be forced no lower; the irreducible minimum of subsistence had been reached.

The outburst of 1910 was very widespread; it flamed up in all parts of the country at once, because in every village, hamlet, farm and *hacienda*[1] there were victims of injustice—people that had been robbed of their lands, villages whose *ejidos* had been usurped, people that were hungry day in and day out, youths whose fathers had been virtually kidnapped—*enganchados*—to serve as peons on the *haciendas* in the deadly tropics, or had been drafted into the army or assassinated by the *ley fuga*, or "law of flight". Like the revolution of 1810, that of 1910 was a spontaneous uprising of the masses, not the result of a *cuartelazo*, or military *coup d'état*. Francisco I. Madero in no sense incited or planned the revolution; it succeeded—so far as it did succeed—in spite of Madero. He was merely "The Apostle", the spokesman of the inarticulate masses. He seems not to have understood the agrarian problem or the political situation. He believed that, if he could remove the fetters forged by Díaz, if he could assure a free press, free speech, free elections and freedom of initiative in Congress, a

[1] As a unit of land measure the *hacienda* is 21,945 acres, but there was many an *hacienda* the area of which ran into millions of acres. For a full description of the system, see George McCutcheon McBride, *The Land Systems of Mexico*, chapter iii, New York, 1923.

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strong, happy and free people would arise. Though not a Juárez, much honor is due the idealism of Madero who, from his lofty station of affluence and privilege, heeded, in some degree at least, the groans of the oppressed and attempted their relief.

The principal planks of Madero's platform were "effective suffrage" and "no reelection", but it was not these phrases that caught the ear of the masses and aroused them from their apathy. It was the following words in the *Plan de San Luis Potosí*, (October 5, 1910), the revolutionary platform signed by Madero only:

"Through abuse of the law regarding the public domain, numerous small proprietors, principally Indians, have been deprived of their lands, either by acts of the Minister of *Fomento* (Promotion) or decisions of the courts. Since justice demands the restitution to their owners of lands thus arbitrarily taken, such acts and decisions are hereby declared subject to revision; and those who acquired property in so immoral a manner, or their heirs, will be required to restore the same to its previous owners, whom they will also indemnify for the injury suffered."[1]

Díaz, by promising agrarian reform, had made the matter a a political issue; hence public opinion was centered upon that phase of the struggle, and the rather vague promises of the revolutionary program became, in the minds of the people—though not in Madero's—the main issue. More definitely than in the revolution of 1810, the Indians seized their rifles with the hope of regaining their lands.

Upon Madero's installation in office, the oppressed elements in the population naturally expected something effective to be done about the matter of agrarian reform. The press at the time was full of discussions and proffered solutions. But the president's hands were tied. He had made the fatal mistake of attempting compromise, conciliation, and half-way measures. He appointed several *científicos*, adherents of the Díaz régime, to his cabinet. His congress was dominated by *científicos*, who

[1] Martinez, Samper y Lomelin, *La Revolución y sus hombres*, *Apéndice* (Mexico, 1912).

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adopted an obstructionist policy and hindered reform. Outside of governmental circles Madero was opposed by the *hacendados* or large landholders, the clergy, and his numerous family who had no sympathy with his campaign but now demanded the fruits of the victory. The very liberties that Madero granted were turned against him—freedom of speech, of the press, of election and of initiative in Congress. Treachery was all about him, but Madero, guileless and trusting, refused to see it.

One of his most serious mistakes was that of entrusting the important portfolio of *Fomento*, which department would naturally have conducted the agrarian reform, to his uncle, Rafael Hernández, a *científico* of the *científicos*, the emissary of Díaz to the peace conference at Ciudad Juárez, which had ended the revolution. Hernández, in view of the fact that in several states the proletariat, impatient of delay, was seizing and subdividing *haciendas*, issued and gave wide circulation to a pamphlet in which he calmed the fears of the *hacendados*,[1] assured them that their rights would not be interfered with, and outlined his plan of agrarian reform. It was not really a plan at all, but simply an array of words. In pursuance of it Hernández induced a number of *hacendados* to adopt compromise measures. Some of them agreed to rent their lands to peons; others, who already had lands rented on the onerous conditions that prevailed in the Díaz regime, agreed to make the terms less severe; others allowed peons to cultivate small patches of land gratis. Many revolutionists were induced by these slight concessions to go back to work on the *haciendas*.[2]

In other respects the land question remained pretty much as under Díaz. The *Caja de Préstamos*, the agricultural bank, continued to lend sums to large interests only; the few *ejidos* that still remained in possession of the villages, were subdivided and allotted; land concessions did not cease, though their size was limited by legal provision, and a few were revoked for failure to comply with the conditions of the contract.[3]

[1] *Memoria de Fomento*, 1911–1912, p. 497.

[2] *Ibid.*, p. lxxxi; *Land and Liberty* (Mexico, 1913).

[3] *Ibid.*, pp. lxxv–lxxxii; *Boletín de la Secretaría de Fomento*, 1918, p. 624.

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The president managed to make a beginning also of the rectification of fraudulent surveys of public lands which had marked the Díaz administration. The commission appointed for that purpose started its labors in Chihuahua, but was opposed by the powerful Terrazas-Creel group who owned most of the state. As the commission persisted, these landholders bribed the ignorant, naïve "general", Pascual Orozco, an erstwhile supporter of Madero, to turn against the administration.[1] They are said even to have dangled promises of the presidency before the dazzled eyes of the former muleteer.[2] The Orozco revolutionists at all events seized the data that the commission had been able to gather and forced it to desist from its labors.

Other efforts at reform had scarcely better success. In Guanajuato the state government attempted a revaluation of land, in order to inaugurate the "single tax," but the only effect was to arouse bitter resistance.[3] The governor of Coahuila made a similar attempt, but was opposed by the Madero family, owners of a large part of the state, who demanded protection from the president and insisted that they be exempted from recording their property.[4]

In Congress, Luis Cabrera, one of Madero's supporters, advocated the reconstitution of the *ejidos*[5] as the only practical and immediate way of aiding the masses. It was necessary to assist, not individuals here and there, or a few hundreds or thousands, but whole groups and masses at once, for millions were in misery. Land must be given the proletariat before the next planting season, if a tremendous uprising was to be avoided. It was true, said Cabrera, that the villages could not own land under the constitution, but, as a temporary measure,

[1] Orozco published a manifesto, doubtless dictated by the landholders mentioned, in which he uttered some harmless generalities about agrarian reform, which meant absolutely nothing (*Manifiesto de Pascual Orozco*, 15 de agosto, 1912). When Huerta came into power, Orozco hastened to recognize him.

[2] *Mexican Letter*, December 11, 1914. Bulletin number 27. (Sent out by the Mexican Bureau of Information, August 1, 1914 to June 24, 1915.)

[3] Salvador Alvarado, *La reconstrucción de México* (Mexico, 1919), pp. 277–278.

[4] F. Padilla González, *Perfiles Rojos* (Vera Cruz, 1915), p. 32.

[5] Luis Cabrera, *La reconstrucción de los ejidos.*

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ownership could be vested in the federal government and the usufruct be given to the villages. Cabrera's able plea, however, was shattered upon the obstructionist attitude of Congress and the Minister of *Fomento*. The latter even went so far as to forbid several villages—situated a few miles south of the capital, on Mount Ajusco—which still had *ejidos* of woodland, to exploit them. When Cabrera, among whose constituents the villages were numbered, remonstrated with the minister, he replied that it was very desirable that those villages should cease to exist, so that the government could carry out its forestry policy unhampered.[1]

As time passed and absolutely nothing was done to relieve the agrarian situation, the masses began to feel that they had been tricked. The Yaquis who, since the fall of their arch enemy, Díaz, had twice sent a deputation to the executive and had been promised the restoration of their lands, now lost patience; and, when a new concession was granted to a certain company for the "colonization" of their lands, they again took to the warpath.[2]

"Zapatism" was another of the grave problems of Madero's administration. The Zapata brothers, Emiliano and Eufemio, of the state of Morelos, had subscribed to Madero's *Plan de San Luis Potosí*. Subsequently they had adopted a more definite platform of their own, namely, reconstruction of the *ejidos* and restoration of the usurped "lands for apportionment." Emiliano Zapata had demanded of Madero, as the price of peace, the settlement of the agrarian question in that state. The cabinet refused to consider the matter and federal troops were sent into Morelos. Zapata then, regarding this action as a betrayal of the revolution, issued the more ambitious "*Plan de Ayala*."

The introduction to that document reads as follows: "Let Señor Madero—and with him all the world—know that we

[1] Cabrera, *op. cit.*, p. 28.

[2] *Memoria de Fomento*, 1910–1911; J. Figueroa Domenech, *Veinte meses de anarquía* (Mexico, 1913), pp. 73, 82; Gregorio Ponce de León, *El interinato presidencial de 1911* (Mexico, 1912), p. 35; *Memoria de Fomento*, 1911–1912, pp. 507–510.

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shall not lay down our arms until the *ejidos* of our villages are restored to us, until we are given back the lands which the *hacendados* stole from us during the dictatorship of Porfirio Díaz, when justice was subjected to his caprice. We shall not lay down our arms until we cease to be unhappy tributaries of the despotic magnates and landholders of Morelos. We shall not lay down our arms as long as we are forced by poverty and hunger to make our children cultivate the master's fields, when they are still in the tender years of childhood and have not yet learned the alphabet."[1] The *Plan* itself provided for a vague system of expropriation applicable to the property of *hacendados* and *científicos*, indemnifying the owners with one-third of the value of the property taken.[2] The Socialist element in Morelos also subscribed to the arrangement on the ground that "Zapatism" was a "stepping-stone to socialism."[3] By the end of the Madero régime, so filled with agrarian disorders, "Zapatism" had spread, not only over all of Morelos but to the Federal District, the states of Puebla, Jalisco, Guerrero, Mexico and Tlaxcala,[4] and there were serious disturbances in Oaxaca and in the north.

The presidency of Victoriano Huerta did not really interrupt the progress of the social revolution. His *coup d'état* was a *cuartelazo* such as Mexico has had by the dozen in its tempestuous history, and could not affect long or seriously the outcome of the forces that were at work.[5] Huerta had money in abundance and the support of the landed aristocracy. The clergy also adhered to him. They used the pulpit and the

[1] Zapata himself, a former peon, could neither read nor write. The *Plan* was the work of his "secretary", an ex-schoolmaster, Montaño.

[2] Edmundo González Blanco, *Carranza y la revolución de México* (2d ed., Madrid, 1916), pp. 229–268.

[3] Antonio D. Melgarejo, *Los crímines del zapatismo*. Mexico, 1913, opposite p. 114.

[4] These were the states in which the disappearence of the *ejidos* had been most complete.

[5] President Wilson's refusal to recognize Huerta doubtless hastened the triumph of the Constitutionalists; but it seems improbable that, even with recognition, the Huerta government could long have survived, made up as it was of the disaffected of the Madero régime and the remnants of the Díaz period.

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confessional to urge the faithful to enlist in the ranks of Huerta and decry the rising revolution. Arms were found in churches and in the residences of priests. The clergy furnished large sums of money to Huerta; numbers of them also went to the United States and there carried on their propaganda.[1]

The Constitutionalist movement, headed by a civilian, Venustiano Carranza,[2] was not primarily for the purpose of regaining the political rights trampled upon by Huerta. It was a continuation of the social revolution which had been undertaken by Madero, but had proved too difficult for his feeble energies. Carranza, himself an *hacendado* and an intelligent man, was able to see the agrarian problem from all angles, and was therefore not in danger of going to extremes, as were Zapata and Orozco.

After the Constitutionalist cause had measurably triumphed over the genuine forces of reaction, Carranza had to combat the spurious ones. Francisco Villa, a general in the revolutionary army, corrupted by the *hacendados*, principally the Madero family, had turned against Carranza, just as Orozco in 1912, corrupted by the Terrazas family, had turned against Madero.[3] Zapata, too ill-advised by his coterie, was evidently holding out for the presidency, absurd as it seems. In October, 1914, Carranza sent to Zapata a delegation to explain that the Constitutionalist cause was in harmony with the essential principles of the *Plan de Ayala*, but the former peon refused to heed. Success had gone to his head.[4]

Villa's defection made it necessary for Carranza to formulate the specific objects of the revolution.[5] Those bearing upon

[1] Padilla Gonzàles, p. 51.

[2] As governor of Coahuila, Carranza had already made himself notable for his interest in the proletarian classes, and his social legislation, such as workingmen's accident insurance, laws providing sanitary homes for laborers, etc. (M. Aguirre Berlanga, *Revolución y Reforma*, Mexico, 1918, apéndice, p. 18).

[3] *Mexican Letter*, December 11, 1914. Bulletin no. 27.

[4] *Red papers of Mexico, an exposé of the great científico conspiracy to eliminate D. V. Carranza; documents relating to the embroglio between Carranza and Villa* (New York, 1914), pp. 10–15; *Mexican Letter*, October 6, 1914. Bulletin no. 10.

[5] L. Melgarejo Randolf y J. Fernández Rojas, *El Congreso Constituyente de 1917* (Mexico, 1917), pp. x to xii.

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the agrarian problem were: restoration to the villages of communal lands of which they had been unjustly deprived; enactment of agrarian laws that should tend to encourage small rural holdings and reduce the latifundia; equalization of taxation; legislation that would better the condition of the peon and the proletariat in general; strict enforcement of the Reform Laws; establishment of municipal liberty as a constitutional institution; organization of an independent judiciary and reform of judicial procedure so as to expedite the administration of justice; and conservation of the natural resources of the nation.

As military leaders and provisional governors were taking into their own hands the urgent matter of agrarian reform, seizing and subdividing *haciendas*, enacting laws in regard to peonage and the minimum wage, and entering upon other measures, it was necessary to unify the efforts and to restrict them within the bounds of legality. Hence Carranza, after having obtained, by means of a questionnaire,[1] opinions and suggestions from all the governors of territory occupied by the Constitutionalist forces, issued the important "Decree[2] of January 6, 1915" providing for the manner of restoring lands to villages, which was the most urgent of the projected measures.

The introductory part of the decree sets forth that the principal cause of unrest and strife among the rural population was the loss of the communal lands granted to the villages by the colonial government as a means of insuring their subsistence. Not only villages (*pueblos*) but other communal groups (e. g., *rancherías*) had been despoiled through illegal sales by local authorities, *jefes políticos* or governors, under pretext of survey of the lands in question through denunciation of excess of *ejidos*, by third parties; and through concessions, sales and *composiciones* or adjustments, made by the Ministers of Finance and *Fomento*.

The rights of the villages, the decree continued, had invariably been violated, in case of a contest, because they could

[1] *Recopilación de los circulares de Venustiano Carranza*, pp. 46–47.

[2] *Codificación de los decretos de Carranza*, pp. 151–157.

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not sue at law; and the syndic whose duty it was to protect the villages was usually indifferent or was bribed by the parties interested in obtaining the property in question. Villagers and communal owners, thus unjustly deprived of their means of livelihood, had no choice but to sink into the most abject servitude. Their condition was desperate and the necessity for restitution of their lands was urgent. In many cases, however, restitution would be impossible, either because the process by which the property had been transferred was legal, or because the villages had lost their titles, or because the tracts could not be accurately identified, owing to imperfections of title. In such cases it was provided that the villages should be supplied by way of a grant with lands expropriated from adjoining *haciendas*. The owners were to be indemnified for the property taken, and, if they considered themselves despoiled, might have recourse to the proper tribunals. The law also allowed bestowal of *ejidos* upon villages that had never had any, and upon new settlements that might be formed. National, local and special agrarian commissions were provided for putting the decree into effect, and a circular urged governors to use the greatest care in selecting the personnel of these bodies, both as to intelligence and character, because of the extreme delicacy of the work which they would have to perform.[1] The law, it was stated, was not an attempt to restore or to give an impulse to communal ownership of property, but was simply a transitional measure to meet a present emergency. The expectation was that the communal lands would ultimately be converted into private property, after the enactment of laws that would adequately protect the existing owners and prevent a second spoliation.

Most of the requests which the various agrarian commissions received were for restitution, not a grant, of *ejidos*. This would indicate that the greater number of villages considered that they had been despoiled of their lands. However, the amount of land transferred to the villages by way of grant was much greater than by restitution. Much discrimination was

[1] *Recopilación de circulares*, p. 159.

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exercised in the application of the law. Careful distinction was made between Indian property acquired by *hacendados* in a legal manner and that obtained by fraud. Villages and communities were allowed restitution of land only when they could present documentary evidence of ownership and of the fact that the usurpation had taken place since 1856.[1] Some villages claimed to have been robbed during the period of the revolution beginning in 1810, others late in the colonial era, still others as far back as the early seventeenth century. In none of these cases was land restored, but the villages were advised to present petitions for the grant of *ejidos*.[2]

A pathetic case was that of the four villages despoiled by Rafael Cravioto, governor of Hidalgo. He had forced them to give up their titles, consequently they could not now be granted restitution. He had burned their huts and scattered the inhabitants over neighboring *haciendas*; therefore, since they no longer had any corporate existence, they could not be granted *ejidos*. The commission advised these groups to seek reincorporation into villages and then petition for town sites and *ejidos*.[3]

Another interesting case was the village of Cuauhtemotzín, which from a *congregación*[4] had become a *pueblo* in the early days of the Díaz period, after years of saving and buying land little by little for the town site (*fundo legal*). Scarcely had they attained the new dignity when their lands were snatched away. Now, though they were a village of two thousand souls, they had not a foot of ground. Their titles were found to be good, however, and their land was restored.[5]

The town (*villa*) of Colima, with more than 25,000 inhabitants, had lost its *ejidos* through usurpation by the owners of

[1] *Boletín de la Secretaría de Agricultura y Fomento*, 1916, pp. 146–148.

[2] No attempt was made to restore land that had been taken from non-corporate groups or mere joint owners, though many such requests were received. The application of the "Decree of January 6, 1915" was limited strictly to *pueblos*, *congregaciones*, *rancherías* and *comunidades* (*Diario Oficial* 28 de septiembre, 1917).

[3] *Ibid.*, 15 de junio de 1917.

[4] *Diario Oficial*, 18 de junio de 1917.

[5] The *congregación* was not a corporate body, but an informal communal group.

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adjoining *haciendas*. As the inhabitants were largely agricultural by preference and training, many had to go south yearly to seek work. The restoration of their *ejidos* (17,354 acres) gave the inhabitants access to wood and pasturage free; the price of milk went down; within one week three hundred men requested plots of ground to cultivate and it was estimated that 5,000 could be supplied with land.[1]

The amount of land granted to each village varied, according to the number of inhabitants, from 170 acres to 41,697,[2] but was generally less than the minimum *ejido* of a square league established by the old Spanish laws. Whenever it was possible—which was seldom—the *ejido* was taken from the public domain; but practically always land had to be expropriated from private property. The policy was to take it from large estates, never from small holdings. If possible, a small tract was taken from each of several *hacendados*, so as to cause the minimum of injury to each individual. Expropriated land was paid for in bonds at the rate of about twenty dollars per acre.[3] Up to September 1, 1921, the total amount of land that had been transferred to the villages and communities by way of restitution was 413,123 acres, and by way of grant 1,462,293 acres.[4] These figures include several new villages which were incorporated and received *ejidos*.

When the Constitution of 1917 was adopted, the decree of January 6, 1915, was raised to the status of a constitutional provision and was substantially incorporated into Article Twenty-seven. By it municipalities and settlements having a communal character (*pueblos, condueñazgos, rancherías, comunidades, congregaciones, tribus, corporaciones de población, municipalidades*) regained their legal capacity to own real property. The right of eminent domain, asserted in the constitution of

[1] *Acción mundial* (Mexico, 1916), v. 1, nùm. 16, p. 15.

[2] This was a case of restitution, based on a perfect title. No grant of *ejidos* was so large.

[3] Fernando Gonzâles Roa, *El aspecto agrario de la revolución mexicana*. Mexico, 1919, pp. 241–242.

[4] *Diario Oficial*, September 3, 1919; *Informe presidencial* in *Diario Oficial*, September 7, 1921.

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1857 and implied in the decree of January 6, 1915, was elaborated in Article Twenty-seven also. It was specifically extended so as to include division of large landed estates, subject to indemnification, taking away from them the necessary lands and waters with which to endow villages and other communities. Provision was also made regarding the ownership and development of waters, the purpose being to prevent monopoly and usurpation such as had been practised in the time of Díaz.

In this general connection the government under Carranza also undertook the difficult and delicate task of revising the concessions given by Díaz. As for the colonization contracts that had remained such, it was a simple matter to show that they had been violated in numerous respects. Of the two hundred and fifteen agreements[1] of the sort, only seven were found that seemed to have fulfilled the stipulations. These were confirmed, twenty-seven[2] of the rest revoked at once, and the others investigated.[3] Various grants for forest exploitation were annulled for failure to observe the forestry laws and to send reports to the government.[4] Several concessions for purchase and sale of public lands were voided because the Díaz government sold the tracts for less than the official price.[5] A number were revoked because of the location of the lands in the frontier or coast zones, within which foreigners were forbidden to own property.[6] All concessions granted by Huerta, during whose short period of office a veritable orgy of land-

[1] Carranza treated as "colonization contracts" a number that were originally such, but had been revised by Díaz so as to relieve the concessionaire of the obligation to bring settlers. Carranza took the position that the former president had no right to dispose of the domain of the nation except for purposes inuring to the public good.

[2] The property rights of the very few colonists that had been established by the various companies—there were scarcely more colonists than concessionaires—were recognized, no matter what happened to the concession. *Boletín Oficial de la Secretaría de Fomento*, 1919, pp. 200–203, 277–278, 381–383, etc.

[3] González Roa, p. 128 *et seq.*

[4] *El Constitucionalista*, January 3 and 25, 1917.

[5] *Diario Oficial*, November 3, 1917.

[6] *Diario Oficial*, November 13, 1917; *Boletín Oficial de la Secretaría de Fomento*, 1919, p. 488.

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grabbing took place, were revoked by Carranza on the ground of the illegitimacy of the Huerta government.[1]

However, many contracts that were entered into after Díaz had decreed his law of March 26, 1894, could not be touched legally. Its provisions were so lenient that a concessionaire could hardly have violated them, even were he so disposed. It is true that almost every act of Díaz was contrary to the spirit of the constitution, but he was extremely clever in "seeking legal support", as one of his favorite phrases ran. He did not conform his acts to laws; instead he made laws to suit his acts. Hence it took considerable juggling with words[2] to find semi-plausible grounds for revoking such contracts. Indeed some of Carranza's actions in this regard had to be reversed by his successor, Obregón. Up to September 1, 1919, at all events, land concessions aggregating 37,434,658 acres had been revoked.[3]

Various other provisions of Article Twenty-seven were designed to remedy the agrarian situation. Banks, which had been allowed and encouraged by Díaz to speculate in real estate, were now forbidden to own or administer any more of it than was necessary for the legitimate purposes of the institution; but they were allowed the transitional ownership of lands and tenements that might be adjudicated to them in payment of debt.

For the purpose of curbing the acquisition of property by foreigners, a practice that had become so notorious under Díaz, it was provided that foreigners could acquire concessions or real property in Mexico only by agreeing, before the Department of Foreign Affairs, to be considered Mexicans in that respect. There was nothing new about this provision, however. Practically all such contracts, from the era of independence

[1] *Recopilación de circulares*, pp. 83, 114–115, 140–141, 178–201; *Diario Oficial*, September 8, 1917.

[2] Carranza declared, for instance, that not Congress, but Díaz, made the law of March 26, 1894; and on that ground revoked several contracts that would have been illegal had the law of 1883 remained in force, but were quite tenable after Díaz had substituted for the latter the law of 1894 (*Diario Oficial*, September 8, 1917).

[3] *Boletín Oficial de la Secretaría de Fomento*, 1919, p. 488.

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down to the rule of Díaz, contained a similar clause; the only novelty was its having been incorporated into the constitution. Under Díaz the clause had been wholly ineffective, when, as the expression ran, Mexico was "a mother to foreigners and a stepmother to Mexicans."

In order to counteract the efforts of the Mexican clergy to circumvent them,[1] Article Twenty-seven reaffirmed, amplified and made more enforceable the Reform Laws. The Constitution of 1857, as amended April 24, 1901, had permitted "religious corporations and institutions" to own such real property as was intended directly and exclusively for the purposes of the institution; and it forbade them to acquire or administer loans on real estate. That of 1917 went a step further and declared that even property destined for such purposes belonged to the nation. Article Twenty-seven provides also that "public and private charitable institutions for the sick and needy, for scientific research, or for the diffusion of knowledge, and mutual aid societies formed for any other lawful purpose shall in no case be under the patronage or supervision of clergymen, and shall not be allowed to acquire, hold, or administer mortgage loans, the term of which exceeds ten years." So as to defeat the purposes of the clergy in forming stock companies, ostensibly commercial, but really for the administration of their real estate and funds, commercial stock companies were forbidden to acquire, hold, or administer rural properties, and could hold only such other real estate as was necessary for their immediate purposes.

It will thus be seen that the objects of the revolution of 1910–1920 were definite and beneficent, in proportion as its causes were deep-seated and of long standing. From the standpoint of these causes the struggle is comparable to the French Revolution or to that of Russia, and it compares favor-

[1] Soon after the promulgation of the Constitution of 1917, a pamphlet purporting to have been issued by the Mexican clergy was found in circulation. It urged Catholics not to recognize the instrument, or else to swear allegiance and then secretly take a counter oath (*Diario Oficial*, November 21, 1917). Obstructionist tactics had been used by the clergy, it will be remembered, with regard to the constitution of 1857 and the Reform Laws.

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ably with either of them from the standpoint of moderation in conduct and rapidity of reconstruction. As the behavior of the Mexican clergy brought on the revolution leading to the Reform Laws, so the conduct of the landholders and exploiters, both native and foreign, was responsible for the revolution of 1910–1920 and the incorporation of its results into the Constitution of 1917.

Long before the masses had reached the depths of wretchedness into which they afterwards sank, a Mexican author wrote: "The history of the native race is a story of tears and of suffering."[1] The condition of the proletariat, already sufficiently unhappy at the end of the colonial period, was not bettered in the slightest degree by the attainment of independence; the Reform Laws, as interpreted and applied, rendered the plight of the masses worse, and the pitiless exploitation fostered by Díaz drove them to the last extremity of poverty and degradation.

The leaders of the revolution of 1910–1920 realized that no lasting peace was possible for Mexico until the enormities of injustice that had marred the history of the country should have been removed, at least in considerable measure. They undertook, therefore, the always difficult task of undoing the past. Their purpose was to redeem the oppressed masses. It is true that the property interests of many individuals have suffered; that the reformers themselves have not all been invariably immaculate; that fortunes have been made from this revolution as from previous ones, though doubtless to a lesser degree. It is true that excesses have been committed by bandit leaders and irresponsible groups who unfortunately have been considered in foreign countries as the true representatives of the revolution. Yet in the main idealism and altruism distinguished the conduct of the military commanders and the leaders of thought.

The spirit of the revolution was well expressed in the instructions given by Salvador Alvarado, governor of Yucatán, to the commissioners whom he sent to every part of the state at

[1] Pimentel, *Memoria sobre las causas*, p. 44.

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the triumph of the revolution, for the purpose of gathering data to facilitate the restoration of land to the villages. They were to acquaint themselves with the needs and the sufferings of the peons, individually and collectively, to try to raise their morale, to infuse into them a feeling of self-respect and a sense of human dignity, to give them hope for the future. The Indians should be made to understand that they were no longer to be enslaved for debt, that they were free to work wherever and for whomever they pleased, that they could marry without obtaining the consent of the proprietor of the *hacienda*, that there would be no more military drafts, *jefes políticos*, or *rurales*.[1]

A great and transcendent experiment has been undertaken in Mexico—the redemption of a race. The revolution headed by the idealist Madero in 1910 was the beginning of the attempt to redress grievances of long standing. After a century of experimentation with borrowed political and philosophical theories which did not fit her particular problems and which therefore offered golden opportunities to demagogues and to unscrupulous landgrabbers and exploiters, Mexico at last has gotten down to bedrock, has begun anew, and attacked her own individual problems in her own way in the light of past experience and past mistakes.

HELEN PHIPPS

NEW YORK CITY

[1] Salvador Alvarado, *Carta revolucionaria* (Mérida, 1915). The *rurales* were the constabulary of Diaz.

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MODERN FRENCH VIEWS ON THE DOCTRINE OF THE SEPARATION OF POWERS II[1]

V

IT is a commonplace that one of the general characteristics which differentiate the judicial system of France from that of those countries whose legal systems are based on the English common law is the fact that in France there are two separate systems of courts. These two systems of courts are the administrative courts and the ordinary judicial tribunals. In general, most controversies in which an administrative official or the state is a party will be decided in the administrative courts. Criminal cases have always formed one great class of exceptions. These, together with civil cases to which private individuals are the parties, are, in general, the province of the ordinary courts. As there will inevitably be doubt on occasion as to which jurisdiction a particular controversy falls into, a tribunal for the purpose of deciding this doubt is set up at the head of both systems. It is, in France, called the Tribunal of Conflicts.

This separation of the two systems of courts dates from the time of the French Revolution. Though there were exceptional jurisdictions under the old régime and though the ground was prepared for the establishment of the double system of courts, M. Jèze states that the historical point is well established that the separation of administrative and judicial authorities did not exist before 1789.[2] This separation was brought about with the particular purpose of preventing any interference on the part of the regular judiciary in the work of administration. To give it a solid base, says M. Jèze, it was attached to the principle of the separation of powers. "According to positive French legislation", writes M. Hauriou, "the division

[1] Part I of this article appeared in the POLITICAL SCIENCE QUARTERLY for December, 1923, vol. XXXVIII, no. 4, pp. 578-601.

[2] Jèze, *op. cit.*, p. 123.

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of the provinces of the administrative tribunals and the judicial tribunals rests on the constitutional principle of the separation of powers".[1] In speaking of the principle at the base of French administrative jurisdiction, M. Lafferière states: "The principle on which our political order has rested since 1789 is the separation of powers"; and again, "From the separation of administrative and judicial powers there naturally results the institution of administrative justice."[2] Such opinions might be repeated in great number, but those quoted will be sufficient.

It may be well to quote several passages from positive French law in order further to illustrate this point, The law of 16–24 August, 1789 (tit. 11, art. 13), states: "The judicial functions are distinct and shall always remain separated from the administrative functions. The judges may not, under penalty of removal, trouble in any manner whatsoever the operations of the administrative bodies". The constitution of September 3, 1791, has these words in Article 3: "The tribunals may not encroach on the administrative functions nor summon before them administrative officials by reason of the exercising of their functions". The law of 16 Fructidor, year III, is no less categorical:[3] "It is expressly forbidden for the tribunals to take cognizance of administrative acts of any kind whatever." These prohibitions are reiterated in other legal enactments of the Revolutionary and following periods; and in several places in the third book of the Penal Code sanction is provided in the form of punishment for those magistrates who encroach on administrative functions.[4]

The separation, however, between administration and judiciary, with the consequent establishment of administrative tribunals, did not result primarily from reverence for an abstract principle. The influence of Montesquieu was no doubt great, but the adoption of the principle of the separation of of powers and its particular interpretation at the time are to be

[1] Hauriou, *Précis de droit administratif et de droit public* (9e éd., Paris, 1919), p. 996.

[2] Lafferière, *op. cit.*, T. II, p. 667.

[3] Hauriou, *Précis*, p. 11.

[4] E. g., Tit. Ier, sect. iv, arts. 127, 128, 130, 131.

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understood only in connection with historical circumstances. An account of these circumstances is to be found in the works of M. Jèze[1] in French and of President Lowell[2] in English, and only a brief résumé need be given here.

The different ideas which are prevalent in England and France with respect to laws and the courts are in large measure to be accounted for by the different period and the different form in which the royal power of the Middle Ages came into direct contact with the people in these countries. These, in turn, were determined by the different experiences of the two countries with feudalism and its tendency to blend public and private law. In England, the Norman kings attempted from the beginning to resist the growth of the so-called feudal system by bringing power directly to bear on all the people of the realm. Sheriffs were appointed; grave crimes and certain civil matters were brought within the jurisdiction of the *curia regis*; itinerant justices were set up and permanent royal courts became established; royal justice with its prerogative institution of the jury became attractive; the baronial courts were gradually supplanted and a common national law was evolved; and to this law and to the courts, strong and respected, the people became attached. Under these conditions the centralization of the administration was unnecessary.

In France, there was a different experience. The strength of the barons was such that crown jurisdiction was confined to the royal domain; and so great was the resistance to any effort to extend this jurisdiction that royal justice was three hundred years longer in securing that universal authority obtained in England before the end of the thirteenth century. So, even when the fiefs of the great barons fell into royal hands, they were given separate *parlements*, of which there were thirteen at the time of the Revolution, and no uniform system of law was possible. Such uniformity was ultimately realized through the work of codifiers and not evolved by judicial decision. Admin-

[1] Jèze, *op. cit.*, pp. 117-120.

[2] Lowell, *Governments and Parties in Continental Europe* (1896), vol. I, pp. 47-54.

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istration in the modern sense, on the other hand, was becoming more important. The royal power, exercised by administrative officials, made itself felt particularly at the end of the Hundred Years War by bringing peace and comparative security. It, therefore, developed strength never known by the courts; and de Tocqueville could say that all classes of the people looked to it for protection as to "a special providence". The French, accordingly, had not the same feeling as the English with respect to maintaining the independence of courts and the sacredness of private rights and for preserving a tradition of only one law for the humblest citizen and the highest officer. On the contrary, they did not recognize the claim of anyone to get his grievances redressed at the expense of interfering with public business.

These historical considerations are sufficient to explain the fact that at the time of the Revolution Frenchmen disregarded the English system. It was desired to be rid of interference by the judiciary in the work of political and social reorganization, examples of which were fresh in the memory of all. In 1787–1788, for instance, the Parlement of Paris had risen against certain reforms proclaimed by the king and declared the royal edicts to be null and illegal. Hence it was that numerous prohibitions were formulated, calculated to prohibit the judiciary from mixing in the work of administration, and to give these prohibitions a solid base they were attached to the famous doctrine of the separation of powers. This doctrine as applied to the separation of administrative and judicial tribunals has undergone some modification since the Revolution, and it is accordingly desirable that present ideas concerning the matter should be seen in relation to the ideas which have caused this development. It is necessary, therefore, to trace the evolution of modern French concepts out of the ideas prevalent at the time of the Revolution.

This development may be roughly considered as falling into three periods.[1] The Revolutionary period saw the prejudice against the judicial tribunals in its extreme form, and the

[1] Jèze, *op. cit.*, pp. 120-122.

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general principle was that all administrative acts should be outside the sphere of the regular judiciary. During the nineteenth century there was the beginning of a swing away from such an extreme. The number of matters removed from the jurisdiction of the judiciary grew less, while, on the other hand, in matters already removed and given to the administration, guarantees for individuals were multiplied. In addition to this, active administrators were eliminated, for the most part, from the process of rendering justice. In the present century, it may be said that the reaction of the nineteenth century from the Revolutionary extreme has to a great extent ceased, and the tendency is to have regard for scientific principles rather than for extreme prejudices. Interpretation of the principle of the separation of powers has, accordingly, been modified in view of practical considerations. Each of the three periods mentioned requires a few words of separate treatment.

The Revolution saw no attempt at any subtle distinction based either on the *nature of acts* or the *nature of recourse*.[1] The prohibitions placed on the judiciary were absolute, and from it was taken everything with the exception of criminal cases and civil controversies between private individuals with regard to private interests. The result of this for the administration was simple. Inasmuch as there were no other courts, the agents of the administration were exempted from all judicial jurisdiction. Individuals had only the active administrators to whom to appeal. Revolutionary ideas considered the elective character of these administrators as sufficient guarantees for individuals, but this was of doubtful value. In practice the rule of the separation of administrative and judicial authorities was used as an instrument of domination; for by the decrees of the 6 and 7–11 September, 1790, the exceptional jurisdictions of the old régime were given to elective administrative officials, who were under no necessity even of giving reasons for their decisions. The only appeal was the rather worthless one given by the law of 7–14 October, 1790, to the king, as chief of the general administration of the kingdom. Accord-

[1] *Ibid.*, p. 125 *et seq.*

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ingly, the jurisdiction of the administration was practically limitless, even civil matters being taken over by the administration at times. The attitude of its agents, certain of irresponsibility before any courts, was in marked contrast to that of the judiciary, which remained humble and showed no resistance. The administrative agents possessed the important weapon of the decision of conflicts, and their use of it seems to have been a scandal. Cases were removed from the ordinary courts without explanation and decisions even of the Cours de cassation were brought again into controversy by raising the question of conflict.

Reaction was inevitable. It began to set in with the Restoration, and the principle of the separation of the judicial and administrative authorities began to take on a new meaning. Public opinion was active and it was before it that change came about, not, it is true, by legislation, but by a development in which the chief rôle was played by doctrine and jurisprudence. Before considering the nature of this doctrinal development, it is necessary briefly to note certain circumstances closely related to this development and favorable to it.

In the first place, a beginning was made toward setting up a proper system for conflicts. An impartial tribunal was established which was to solve conflicts according to a procedure which included such guarantees as to warrant its being considered a court of justice. At the same time the effort was made to give a judicial character to those administrative officials who were called upon to settle controversies. Napoleon I made a start by the establishment of councils of jurisconsults. By the Constitution of Frimaire, year VIII, and by a decision of the Consuls dated 5 Nivôse, year VIII, there was set up the Conseil d'État; while the Law of 28 Pluviôse, year VIII, established the Conseils de préfecture. This was the origin of the present system of administrative courts. Gradually the forms of protection used in the ordinary courts were extended to the administrative courts and in the course of time the guarantees to individuals became true guarantees. By the end of the nineteenth century, administrators had been eliminated as judges of the common law in administrative matters, while members of the councils became more and more true judges.

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There is to be noted, furthermore, a changed position of the agents of administration and a modified view of the irresponsibility of the state. In 1870 there were repealed all dispositions of general or special laws which had as an object the prevention of any action directed against public functionaries of every order. In addition to this, the old theory of the absolute irresponsibility of the state underwent a modification produced by the recognition, more and more frequent, on the part of the administration, of cases in which damage ought to be paid by the state.

These circumstances had their effect on the evolution of new notions concerning administrative cases. Lack of precision in the formulæ of the Revolution had resulted in the abuses which have been mentioned; but after the fall of the First Empire the courts of both orders set themselves the task of finding a rule for the limitation of the judicial powers of the administration and of assigning clear limits to the respective jurisdictions of the ordinary and administrative courts. The members of the judiciary, having become irremovable in 1814, regained such confidence that the Government no longer presumed to treat them with former contempt; and, at Napoleon's fall, the Conseil d'État became so unpopular that it barely escaped abolition and was constrained to be less intransigent in its application of the rule of the separation of judicial and administrative authorities. Further than this, the teaching of administrative law developed a spirit of analysis and propagated more liberal ideas.

This is not to say that the task was easy. The preponderance of administrative power in France has been called "an intangible dogma", and it is difficult to eradicate the prejudice that judicial agents are "the born enemies" of the administration. Accordingly, the changes made show a certain timidity resulting from the influence of these prejudices.

The first step consisted in giving to the ordinary judiciary jurisdiction in less important administrative matters which came to be known as the management of the "private domain" of the state. The judicial tribunals also received jurisdiction in the greater part of such controversies as were raised in local

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administration. The jurisprudence of the period would have gone further than this: it wished to recognize the jurisdiction of the judiciary in all acts of administration which ordinary individuals might have done. Though this was not entirely acceptable, nevertheless an ingenious theory was constructed to fit the new rules and to determine more exactly the nature of administrative controversies. The latter were held to be of two sorts:[1] first, controversies which were administrative *by nature*, and secondly, controversies which were administrative *by determination of law*. In the first class are contained those controversies raised by acts of administrative agents in which there may be seen manifestations of public authority, that is to say, acts in which individuals are ordered or commanded; in the second class are included controversies arising out of acts of administration in which administrative agents confine themselves to managing the public business through processes normally used by individuals. These being exceptional, a law is necessary for their determination.

This first step was of considerable benefit for private individuals, for it marked a reasonably definite restriction on the administration. The jurisprudential effort was also praiseworthy; for, though falling short of its aim, its tendency was sound in separating out unilateral manifestations of the administrative will for the cognizance of the administrative courts, leaving to the ordinary courts all contractual acts and actions regarding property. Practice never actually went so far; and if in the second class of acts a controversy arose as to the validity of the act, that is if there was what was known as "*recours en annulation*", it was still recognized at the end of the nineteenth century to belong to the administrative courts, leaving to the ordinary courts only "*contentieux de pleine juridiction*", or matters requiring only judicial interpretation.

Before noting the tendency which has set in during the present century, it will be well to examine certain criticisms directed at the jurisprudence of the nineteenth century.

It is said, in the first place, that the theory noted above is

[1] Jèze, *op. cit.*, p. 140 *et seq.*

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contrary to existing laws. This objection, according to M. Jèze, should be disregarded.[1] A legislator is not a jurist and follows no logical theory, but he looks rather to practical utility or to political convenience. Perhaps the most familiar example is that seen in the Law of 7–11 September, 1790, and the Law of 29 Floréal, year X. One gives to the ordinary courts jurisdiction in controversies connected with the main road systems (*"grande voirie"*), while the other gives to the administrative courts jurisdiction in cases connected with the lesser systems (*"petite voirie"*).[2] There is obviously no sound theory on which such a distinction may be based; the real explanation is to be found in the simple practical consideration that judges of the ordinary tribunals had not been severe enough, and so, in the case of the lesser road systems, the legislator attempted an improvement by giving jurisdiction to the administrative courts.

M. Jèze recognizes a second objection as being more serious.[3] It is to the effect that the theory of the nineteenth century either cannot apply its standard logically or else must end in unjustifiable distinctions. For example, an "extensive" interpretation of exceptional texts makes it necessary to apply such interpretation to the state as a whole and not to the departments and communes. This is inexplicable, and yet a "restrictive" interpretation would place an individual under the necessity of going, in the case of the same accident, to one court for damages to property and to another for damages to his person. This places an individual in great embarrassment when he wishes to bring an act to justice.

A third criticism holds that the application of the theory really lessens the guarantees for individuals, inasmuch as it gives to ignorant judges the solution of technical questions.[4] This may be considered a still more serious objection, though, as a matter of fact, it is not one of principle. It would lose its

[1] *Ibid.*, p. 145.

[2] *Ibid.*, p. 146, and Lowell, *op. cit.*, vol. I, p. 62.

[3] Jèze, *op. cit.*, p. 149.

[4] *Ibid.*, p. 149.

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force if courts were composed of jurisconsults versed in the different branches of the law. Facts, however, must not be lost sight of: ignorance is undesirable; specialization tends everywhere to prevail; and in the twentieth century in France there has been a third modification, this time in an extensive direction, of the classic interpretation of the famous rule of the separation of administrative and judicial authorities.

No attempt can be made here fully to examine the present status of "*contentieux administratifs*" in all their technical aspects. The curious may find an excellent treatment of the question, written four years after the beginning of the present century and containing full references to cases, in M. Jèze's *General Principles of Administrative Law*, and an even more recent account, though with less complete references to cases, in M. Berthélemy's *Elementary Treatise on Administrative Law*, the tenth edition of which has recently appeared in Paris. It is possible here only to call attention to the recent development of recognized guarantees for individuals and to the rules actually applied at present.

The establishment of an impartial Tribunal of Conflicts has already been mentioned. In the organization of the administrative courts themselves, permanence of tenure exists in fact if not in theory; and so far have all the essential requirements of justice been obtained that the certainty of a public hearing of both sides of controversies under a well-developed procedure has convinced the majority of French students of administrative law that the guarantees of impartiality are actually greater in the administrative courts than in the ordinary tribunals. No longer are the latter synonymous with justice and the former with arbitrariness. No one now believes that the administration is sure to have its own way in a controversy; and the famous case of the Paris-Orléans Railway Company,[1] in which on January 12, 1895, a decision unfavorable to the administration was given by the Conseil d'État, is no longer quoted as a mere exception to the rule. This high court has in recent years given considerable extension to more liberal ideas; it has

[1] *Compagnie du chemin de fer de Paris à Orleans, Recueil*, p. 31 *et seq.*

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withdrawn much rigor from pleas in bar, formerly opposed to recourse for excess of power; it has been more and more severe towards the conduct of the administration, requiring its agents to conform to the spirit as well as the letter of the law and demanding that their powers be used for strictly legal and not personal ends; and finally a true revolution has been accomplished in the tendency of the Conseil d'État to substitute for the idea that indemnity is only a sort of obliging relief the principle that the state is in a similar juridical situation to that of an individual.

The result is far-reaching. The individual has more and more the feeling that the administrative courts are now true judges; and with this feeling prevalent, it is possible to ask dispassionately whether the idea of the nineteenth century, that the jurisdiction of the administrative tribunals should be as much restrained as possible, ought not to be modified. Whatever logical theories may suggest, the administrative courts seem undoubtedly to be better placed than the ordinary courts for applying public and administrative law. As the interest of the individual seems to be to go before the administrative courts, the extension of their jurisdiction is being suggested. In a decision by the Conseil d'État of February 6, 1903, in the Terrier case,[1] it is said: "The administrative jurisdiction is being enlarged from day to day by the slow but steady action of jurisprudence."

The evolution in the Conseil d'État by which this modern extension has come about is by no means easy to trace; and what can be done here is merely to point out certain principles which tend to gain acceptance. In the Terrier case, mentioned above, the government suggested a distinction based both on the nature of the service involved and the act which is to be judged. It holds that unless there be a special text to the contrary, the Conseil d'État should have jurisdiction in all actions between public persons and private individuals, or between these public persons themselves, founded on the execution, the non-execution, or the mal-execution of a public service. There

[1] Sirey, 1903, 3, p. 25 *et seq.* Also see Jèze, *op. cit.*, p. 160, n.

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would then be left to the ordinary courts jurisdiction in circumstances where the administration is to be reputed as acting under the same conditions as an ordinary individual *and finds itself subjected to the same rules*. The crux of the matter is implied in this last clause. The consequences of this distinction suggested by the government involve the old solutions except in one important respect. Thus it is the old solution for the jurisdiction to be administrative in questions of the validity of administrative acts and for it to be judicial in controversies not raising the question of validity, involving the private domain of the state or the management of the public services where the administration voluntarily takes the position of a private individual. What is new is the principle that the jurisdiction is that of the administrative courts where an act supposes the application of a special rule of the functioning of the public services.

The rules which seem to have been adopted by modern French jurisprudence may now be set down in the order of their exposition by M. Jèze.[1] The first is clear-cut: jurisdiction is *by nature* administrative when a question involves a unilateral manifestation of will on the part of an administrative agent. Such would be what are called "unilateral acts of nomination", where, for example, wages or pensions are involved.[2] Or again there might be an action for indemnity for loss of position. Thus, a non-commissioned officer, one Le Berne,[3] having been twice reduced in grade, but irregularly, as shown by the fact that the decisions were afterwards annulled by the minister of war, demanded that the state should pay 33,000 francs on the ground that he had been caused serious material damage through his inability to became an *adjudant*, to receive civil employment, or to renew his enlistment and thus obtain, after fifteen years, a pension. The minister of war held that no action lay because the state could not be held re-

[1] Jèze, *op. cit.*, pp. 159-162.

[2] E. g., *arr. Fayand, Cons. d'État, 29 juillet 1898 Recueil*, p. 601; and *arr. Bussereau, Cons. d'État, 4 juillet 1884.*

[3] Jèze, *op. cit.*, p. 152, n.

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sponsible for acts of a public nature. Former decisions tended to support this contention, but the Conseil d'État, in its decision of May 29, 1903, held that action did lie and Le Berne received indemnity. The famous case of *Terrier c. le département de Saône-et-Loire*, already twice mentioned, also involves a unilateral decision, promising the payment of premiums. The Conseil d'État held that the refusal of a prefect to pay premiums to Terrier for an enormous number of snakes, killed by the latter, on the grounds that all the money appropriated for the purpose by the General Council of the department had been exhausted, raised litigation between Terrier and the department of which the Conseil d'État might take cognizance.

The second rule is that jurisdiction is *by nature* judicial when a question involves a *contractual* manifestation of will on the part of an administrative agent. This is true without distinction between services of the state on the one hand, and of the departments and communes, on the other. Moreover, M. Jèze held in 1904 that it made no difference if the question involved the management of a public service;[1] but a decision of the Conseil d'État in 1910 causes this view to be modified,[2] for it held that controversies involving the moneys of the public services were in the jurisdiction of the Conseil d'État, even if the difficulty should arise out of a contract.

The third rule involved questions of actions regarding property. Here, it is necessary to distinguish between controversies involving an administrative functionary and those involving an agent not a functionary. In the latter case, as, for example, in the case of an architect or engineer employed by the state, the jurisdiction is judicial even if the action is against the agent himself or the "patrimony" of the state, department or commune. If, on the other hand, the agent is an administrative functionary and the administrative "patrimony" is at issue, the jurisdiction is administrative, it being judicial only where the responsibility of the functionary is personal.

[1] *Ibid.*, p. 160.

[2] Jèze, *Éléments du droit public et administratif* (Paris, 1910), pp. 110-111.

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The fourth and last rule is applied to cases of damage caused by inanimate objects or by animals belonging to the administration or employed by it. If the damage is caused in the management of a public service, the jurisdiction is administrative; if it results from the management of the private domain, the jurisdiction is that of the ordinary tribunals.

These conclusions are regarded by Frenchmen as quite acceptable. They think to see unity, precision and certainty contained in them; and believing that the litigant is given the best judge for his purposes, they hold these ideas in favor. This accounts for and justifies, they claim, the new interpretation given to the rule of the separation of administrative and judicial authorities.

VI

In conclusion, brief mention may be made of the effect of the so-called principle of the separation of powers on the relationship of the judiciary to the legislative branch of government. In this respect, some idea of the attitude of the courts may be gained from a typical case, and over against this attitude may be set the ideas of one or two of the bolder modern students of French jurisprudence.

An interesting case arose in the first decade of the present century out of the Law of July 1, 1901, with respect to religious congregations in France. The main facts may be briefly set out.[1] A congregation, existing previously to the law of 1901, made application within the period of three months, prescribed by the law of 1901, for authorization to continue its existence; and this application along with several others, was presented by the minister of the interior to the Chamber of Deputies with the recommendation that the applicants should be rejected *en bloc*. The Chamber complied, and, the decision being communicated to the congregation in question, the latter

[1] See open letter of M. Artur, Professor of Law in the University of Rennes, printed as pamphlet: *Le principe de la séparation des pouvoirs interdit-il aux tribunaux de vérifier si l'autorisation législative a été ou non refusée aux congrégations antérieures à la loi du 1er juillet 1901 et de prononcer sur ce point?*

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refused to consider itself dispersed. It was subsequently prosecuted before a criminal tribunal in order that the penalties prescribed by the law of 1901 should be applied. The defense was somewhat as follows: "It is true that according to the law of 1901 congregations to whom authorization has been refused are to be considered automatically dissolved; but authorization not having been refused by a statute setting forth the refusal, as prescribed by the law of 1901, the matter must still be considered pending and the congregation not liable to any penalty." The court, however, refused to give weight to this argument on the grounds that a court could not examine the question of the manner in which authorization had been refused "without discussing the work of the legislator and consequently violating the great principle of the separation of powers".

It is needless to say that this decision is not received without question. M. Artur[1] admits that one of the conclusions to be drawn from the principle of the separation of powers, as contained in the Revolutionary constitutions and laws, is that the tribunals may not refuse to apply a law by contesting its obligatory character even if it be contrary to the constitution; but he holds that in this case the courts could declare that a law does not exist without in any way opposing its execution or violating the principle of the separation of powers.

This seems simple enough, and yet, compared with the spirit of the court's decision, M. Artur's position is one of boldness. It is, therefore, the more interesting to note, in conclusion, that M. Hauriou[2] and others advocate the power of the courts to declare French laws unconstitutional. M. Hauriou, who thinks that most of the vices of French government grow out of "the irresponsibility of Parliament", suggests as reforms the use of dissolution by the executive and the power of the judiciary to declare acts unconstitutional. He seems to think that the amendment of the constitution would be necessary in order to accomplish this; but M. Berthélemy holds that no

[1] *Ibid.*

[2] Hauriou, *Principes*, p. 722.

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such amendment is required. He and M. Jèze are agreed[1] that, if the constituent and legislative powers are separate, there is no other logical conclusion, in the absence of an express provision forbidding such a judicial act, but that an ordinary law, conflicting with the constitution, should be considered non-existent. The point is not without interest; but it seems unlikely that in the near future acceptance will be given to a view so contrary to long prevailing conceptions, based on the famous principle of the separation of powers.

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[1] Berthélemy, *op. cit.*, p. 13, n.

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THE MONROE DOCTRINE RECONSIDERED

THE centennial of the great American tenet has brought forth a new series of explanations[1] that serve once more to demonstrate how elusive as well as how elastic in meaning it seems to be. In them are represented the three main schools of thought which have been created on the subject. Of these the first holds that the Monroe Doctrine is now what it always has been, and as such has been enforced. The second maintains that in the process of enforcement it has undergone a variety of modifications which differentiate it in substance, if not also in spirit, from what it was originally. The third asserts that it ceased to exist after the particular occasion for its pronouncement had passed away.

All three schools admit the prevalence of misunderstanding about the precise import of the Monroe Doctrine. By way of removing it, the first two seek to interpret the basic principle of the Doctrine so as to harmonize it with the relations existing at one time or another among the three parties concerned, namely: the United States, the republics of Latin America and non-American nations. In that connection they are wont to declare that anything claimed or done by this country with reference to its international function in the New World under the Doctrine or apart from it may be claimed or done by the republics in question also. This they deem an adequate defense against the accusation of the third school, that the Doctrine has outgrown its usefulness and become a nuisance, if not worse.

Except for the utterances of those who condemn it, discus-

[1] Charles Evans Hughes, "Observations on the Monroe Doctrine" (*The American Journal of International Law*, vol. XVII, pp. 611-28) and "The Centenary of the Monroe Doctrine" (*International Conciliation*, No. 194); Henry Cabot Lodge, "One Hundred Years of the Monroe Doctrine" (*Scribner's*, vol. LXXIV, pp. 413-23); David Y. Thomas, *One Hundred Years of the Monroe Doctrine* (New York, 1923); E. S. Corwin, "The Monroe Doctrine" (*North American Review*, vol. CCXVIII, pp. 721-35).

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sion of the Monroe Doctrine centers upon a description of what it is not, rather than upon an elucidation of what it is. That the treatment takes the form of constant reassurance might indicate that the evil thing, if such there be, has not yet been wholly cast out. Insistence upon the beneficent nature of the Doctrine fares no better. Perhaps the actual proofs of service in this respect are not sufficiently obvious. If they were, attempts at dispelling doubts or checking attacks would hardly have to be so frequent.

There may be some valid reason, of course, why obscurity lingers, and even ought to linger, about the genuine significance of the Doctrine. If so, it is embedded too deeply within the consciousness of the men responsible for the foreign policy of the United States, and has become too incompatible with the public interest, to be divulged. In the opinion of the present writer, however, the real difficulty in the matter does not lie in this fanciful direction. It proceeds instead from a failure to single out the one great factor in the situation which determines it and to differentiate between the results of that factor in operation and the Monroe Doctrine itself. The factor is: the immense disparity in power which has grown up between the United States and all the republics of Latin America put together. Leaving it out of due consideration renders arguments untenable which under other circumstances would have a bearing. Chief among them is the plea already noted, that in accordance with the Doctrine or aside from it the United States claims and exercises no right which does not belong equally well to each of the republics. But to attribute to those countries an ability to do what manifestly they cannot do is at best to express a benevolent sentiment and not to state a fact. Theoretically they may assert a right in this regard; practically they are quite unable to make the right effective, and that simply because they have not the requisite amount of strength to do so.

Starting from this vantage point of disparity in power between the United States and all the republics of Latin America put together, it becomes possible to clear the situation up. When borne in mind it helps to separate in thought two things

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that are fundamentally distinct. So long as they remain confounded, the Monroe Doctrine will have to continue being explained. One of them is that Doctrine itself; the other, the relationship after 1823 of the United States with its southern neighbors and through them with non-American countries, which rose out of that growing disparity in strength. The thesis now to be offered, accordingly, differs from that of each of the three schools of thought. It contends: first, that the Monroe Doctrine has never been enforced, has never undergone alteration and has not become outworn; second, that the relationship of this country with the states of Latin America during the hundred years following its pronouncement is not derived from that Doctrine, connected with it or explicable by it.

The basic principle contained in the great American statement of policy is precisely the same now that it was in 1823. It cannot be anything else, so long as the United States is a nation. That principle is: national self-defense.[1] Being axiomatic in character, no cavil about it can arise. The real trouble is found in the implications—with reference not to what constitutes national self-defense, but to the relations between the United States and the republics of Latin America as determined by the superiority in strength of the former over the latter.

Reviewing the circumstances under which the sentences, out of which the Monroe Doctrine has been deduced, were inserted into the President's message of December 2, 1823, it will be remembered that the United States was then a small nation which had emerged only a few years before from a war that had brought it no slight measure of humiliation and left quite unsettled the questions that had provoked the conflict. It looked with justifiable apprehension upon a menacing combination of continental European powers that regarded with profound disapproval the republican form of government and the very existence itself of this youthful upstart across the seas,

[1] "The Monroe Doctrine . . . is a policy of national self-defense . . . an assertion of the principle of national security." Hughes, "Observations on the Monroe Doctrine", *The American Journal of International Law*, vol. XVII, pp. 615-16.

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whose example alike in the acquisition of independence and in the form of government adopted had been emulated by the erstwhile colonies of Spain. Should those states succeed nominally in restoring the rule of the motherland, the procedure doubtless would be preliminary to an actual partition of the Spanish dominions in America among its alleged protectors, and a massing thus of European strength on the very borders of the United States which would threaten its continued existence as a nation. Since the army and navy of this country had been reduced shortly before from the size that they had assumed during the War of 1812, it had at its command only the weapon of forceful protest against a menace to its right to live and flourish. That weapon in turn would have material strength, because Great Britain was known to be opposed to the designs of the continental states and ready to utilize the might of its navy to thwart them.

The original, unchanging and unchangeable Monroe Doctrine contains three primary dicta of protestation applicable to three sets of conditions, and all standing for just one thing—national self-defense. First, with reference specifically to Russian claims in northwestern North America, it asserts "as a principle, in which the rights and interests of the United States are involved, that the American continents, by the free and independent condition that they have assumed and maintained, are henceforth not to be considered as subjects for future colonization by any European powers." Second, it declares that it "is only when our rights are involved or seriously menaced that we resent injuries or make preparation for our defence", and that, since the United States is of necessity "more intimately connected" with the movements in this hemisphere, "we should consider any attempt on the part of . . . the allied powers", whose "political system . . . is essentially different in this respect from that of America . . . to extend their system to any portion of this hemisphere as dangerous to our peace and safety." Then, in the third place, after remarking that the United States had not and would not interfere with the "existing colonies or dependencies of any European power", it proceeds to state that "with the Governments who have declared their independence

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and have maintained it, and whose independence we have . . . acknowledged, we could not view any interposition for the purpose of oppressing them or controlling in any other manner their destiny, by any European power, in any other light than as the manifestation of an unfriendly disposition toward the United States."

Throughout these earnest and dignified utterances there runs like a red thread one connecting idea and purpose: the defense of the United States against aggression from overseas. The "rights and interests of the United States", "preparation for our defence", "dangerous to our peace and safety", "the manifestation of an unfriendly disposition toward the United States", are four great pillars that stand foursquare supporting the edifice of national security. A grandiose and glorious assertion of the right of the young nation to develop its destinies unhindered and unafraid, was the Monroe Doctrine and is; a patriotic declaration of patriotic men who had the moral courage to voice the sentiments of a youthful country in the face of menaces from the old and scornful states of continental Europe, so much superior to it in material strength.

No strain of altruism is there; no trace of a desire to do more than defend what was justly ours; no thought of doing anything other than protect the national interests of the United States and those alone. Future colonization in the New World by non-American powers could not be tolerated, an extension thither of the monarchical system of the Old World could not be suffered, and actions on the part of such powers, oppressive of the governments that had declared and maintained an independence that had been acknowledged by the United States, and controlling in any other manner their destiny, could not be permitted, because conduct of the sort would be specifically a menace to the United States.

If a nation is to exist and prosper, obviously it must have the right to defend itself. Possessing this right, only the nation immediately concerned may declare it, though others may acknowledge it. The Monroe Doctrine is—as has been asserted repeatedly by American statesmen and publicists—a unilateral policy of the United States—not "one-sided", but

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"single-sided". No other country can participate in it, for it belongs specifically to our country, just as precisely the same right under some other name belongs to every other country. The language in which it happens to be couched is merely a product of the circumstances of the time. It could have been expressed in different terms and on various occasions, and yet would have meant exactly the same thing. To declare a policy of the sort for the Americas at large or for all the world is only another way of saying that every nation has the right to defend itself.

Acceptance of this definition leads to the conclusion, on the basis of a knowledge of our actual history, that during the entire period of its existence the Monroe Doctrine, as to all intents and purposes a reassertion of our national independence, has never been enforced. Since the War of 1812 onward, even if then, Europe has never in reality challenged our independence or—except possibly at the time of the Civil War—restrained our national development. Neither has the United States had reason to fear aggression from any quarter on the American continents. If the Monroe Doctrine, accordingly, meant anything other than just what it says, certain international incidents that happened in the course of many years subsequent to its pronouncement assuredly would not have had the outcome that they did. These incidents may be examined from three more or less contemporary points of view, namely: the motive of Simón Bolívar, the great South American Liberator, in summoning the congress held at Panamá in 1826; the attitude of the government of the United States toward participation in that assemblage, and the policy of this country with reference to Latin America in general for a long while thereafter.

About the real purpose of Bolívar in calling together the Congress of Panamá, at the time when he was president of the republic then known as Colombia and composed of the present Colombia, Venezuela and Ecuador, there has been almost as much misunderstanding on a small scale as about the Monroe Doctrine and our relations with Latin America on a large one. Rather than dwell upon this phase of the matter, however, it would be desirable to hear what the Liberator himself has to say.

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In a conversation with one of his officers, in May, 1828, Bolívar remarked:

Some have said, and others still believe, that that meeting of delegates from the Americas was a ridiculous imitation of the Congress of Vienna which brought forth the Holy Alliance. Those who think so are mistaken. . . . When I assembled that Congress . . . it was only a piece of bravado (*fanfarronada*), . . . which I thought diplomatic and needful, so as to make Colombia prominent in order to present to all the world [Spanish] America united in a single policy, a single interest and a powerful confederation. I repeat, it was a piece of bravado. With the Congress of Panamá I wanted to make a noise, to make the name of Colombia and that of the other [Spanish-] American republics resound; to discourage Spain; to hasten the recognition of our independence which she ought to grant, and also the recognition of the other European powers. But I never thought that a [Spanish-] American alliance would come out of it, like the one set up by the Congress of Vienna. Mexico, Chile and La Plata [Argentina] could not aid Colombia, nor could Colombia aid them. All their interests are divergent, save only that of independence; diplomatic relations may exist among them, but no close relationship, except in appearance.[1]

It would be difficult to discover anywhere a more admirable exposition in brief form—albeit unconscious—of the basic principle of the Monroe Doctrine, and of the real nature of the connections existing at that time and long thereafter between the United States and Latin America, than this utterance of the most eminent Spanish-American soldier and statesman who ever lived. National independence and international apartness without isolation constitute the keynote of it. Allowing for the difference in temperament and phraseology between the American Monroe and Spanish-American Bolívar, they were in substantially thorough, even if unwitting, accord as to what the one meant by his Doctrine and the other, by his Congress.

Turning now to the second point of view, which would indicate that the Monroe Doctrine long after its enunciation was not made to mean anything other than a declaration of the

[1] L. Peru de Lacroix, *Diario de Bucaramanga* etc. (Paris, 1912), pp. 143-44.

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principle of national self-defense, it should be said at the outset that, contrary to a somewhat current impression, Bolívar did not invite the United States to participate in the Congress of Panamá, and had no wish to do so. Much as he liked and respected the northern neighbor of English speech,[1] he doubted the wisdom of asking it to send delegates, and that for a variety of reasons. One of them was the fear of incurring thereby the displeasure of Great Britain. Without his knowledge and approval, the invitation to the United States was dispatched by the vice-president of Colombia, Santander. In his remarks about the Congress it is significant that he makes no allusion whatever to this country. His interest lay in Spanish America alone.

Even if the representatives of the United States had been able to attend the Congress of Panamá, the instructions they bore from Henry Clay,[2] the Secretary of State, would have made their participation of little value in the face of the conditions that they would have encountered. Caution was the watchword and no "entangling alliance", the rule that they were to heed. How definitely the Monroe Doctrine was then understood to mean the national defense of the United States, and to imply none of the relations subsequently entered into by this country with the republics of Latin America,[3] is manifest

[1] "Bolívar and the United States", *The Hispanic-American Historical Review*, vol. I, pp. 270-98.

[2] To Richard C. Anderson and John Sergeant, May 8, 1826; to John Sergeant and Joel R. Poinsett, March 16, 1827. *International American Conference*, vol. IV, pp. 114-52.

[3] It should be observed, however, that Clay was quite conscious of the fact that, wholly apart from the Monroe Doctrine, the United States by virtue of its independent nationhood, its location in the same hemisphere and the similarity in its form of government to that of the Spanish-American republics, might have certain relations with them. This attitude on his part has been construed as an indication of a somewhat premature interest in "Pan-Americanism". It might serve just as well to denote his lack of knowledge about actual conditions in the southern countries and unwittingly even to presage the coming exercise of American influence.

Possibly the most remarkable items in the instructions belonging to this category are: the proposal, with regard to a "cut or canal for navigation through the isthmus" of Panamá, that "what is to redound to the advantage of all America should be effected by some common means and united exertions,

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from a recital of the pertinent portions of these instructions. Their content embraces substantially four themes, namely: the Monroe Doctrine; absence on the part of the United States of any intention to ally itself with the southern republics or otherwise to protect them, and of any purpose also to influence the conduct of their affairs; the status of Cuba, and the nature of the Congress of Panamá.

With reference to the Monroe Doctrine, the instructions read:

On the contingency of an attempt by the powers of Europe commonly called the Holy Alliance to aid Spain to reduce the new American Republics to their ancient colonial state or to compel them to adopt political systems more conformable to the policy and views of that alliance . . . the United States, in opposing them with their whole force, would have been hardly entitled to the merit of acting on the impulse of a generous sympathy with infant, oppressed and struggling nations. The United States . . . would have been compelled to fight their own proper battles, not less so because the storm of war happened to range on another part of this continent at a distance from their borders; for it cannot be doubted that the presumptuous spirit which would have impelled Europe upon the other American Republics . . . would not have been appeased if her arms . . . should have been successful until they were extended here, and every vestige of human freedom had been obliterated within these states. . . . There was a time when such designs were seriously apprehended, and it is believed that the declaration of the late President to the Congress of the United States . . . had a powerful effect in disconcerting and arresting their progress. About the same period Great Britain mani-

and should not be left to the separate and unassisted efforts of any one power"; the desirability of having the American delegates avail themselves of "all suitable occasions to press upon the ministers of the other American States the propriety of a free toleration of religion within their respective limits"; their duty at all proper times to "manifest a readiness to satisfy inquirers as to the theory and practical operations of our Federal and State constitutions of government and to illustrate and explain the manifold blessings which the people of the United States have enjoyed and are continuing to enjoy under them"; and in their conversations with the other ministers to "endeavor to strengthen them in the faith of free institutions and to guard them against any ambitious schemes and plans, from whatever quarter they may proceed, tending to subvert liberal systems".—*Ibid.*, pp. 143, 146, 149, 152.

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fested a determination to pursue the same policy in regard to the new Republics which the United States had previously marked out for themselves. . . . Accordingly since that period there have been no intimations of any designs on the part of the European alliance against the new American Republics. . . .

In December, 1823, the then President of the United States announced, as the principle applicable to this continent, what ought hereafter to be insisted upon, that no European nation ought to be allowed to plant upon it new colonies. . . . Several of the new American States have given intimation of their concurrence in the principle; and it is believed that it must command the assent of the civilized world. . . . To prevent any such new European colonies, and to warn Europe beforehand that they are not hereafter to be admitted, the President wishes you to propose a joint declaration of the several American States, each, however, acting for and binding only itself, that within the limits of their respective territories no new European colony will hereafter be allowed to be established. It is not intended to commit the parties who may concur in that declaration to the support of the particular boundaries which may be claimed by any one of them; nor is it proposed to commit them to a joint resistance against any future attempt to plant a new European colony. It is believed that the moral effect alone of a joint declaration, emanating from the authority of all the American nations, will effectually serve to prevent the effort to establish any such new colony.

Alluding to the probability that one European power, if not more, had been active in Colombia and Mexico at least with a view to subvert "the existing forms of free government there established, to substitute the monarchical in place of them, and to plant on the newly erected thrones European princes", and taking into consideration also a resort to the plausible motive of recognizing the independence of the new states, with the assurance that the adoption of monarchical institutions would conciliate the great powers of Europe, the instructions add:

The new Republics being sovereign and independent States . . . being in fact acknowledged by the United States and Great Britain, and having entered into treaties and other national compacts with foreign powers, have a clear right to be recognized. . . . You will . . . take advantage of every fit opportunity to strengthen their polit-

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ical faith and to inculcate the solemn duty of every nation to reject all foreign dictation in its domestic concerns.[1]

As to the several aspects of the general policy of the United States toward the republics, the intimations that appear in the preceding paragraphs are strengthened by further statements:

No intention has been entertained to change the present pacific and neutral policy of the United States. . . . From the first establishment of their present Constitution, their illustrious statesmen have inculcated the avoidance of foreign alliances as a leading maxim of their foreign policy. . . . There is less necessity for any such alliance at this conjuncture on the part of the United States, because no compact . . . could be more obligatory upon them than the irresistible motive of self-preservation, which would be instantly called into operation in the supposed contingency of a European attack upon the liberties of America. . . . The declaration . . . in which you are authorized to unite . . . directed against European colonization within the territorial limits of any of the American nations . . . does no more than announce, in respect to the United States, the existing state of their institutions and laws.

Neither this declaration nor the one about freedom of religious worship[2] "contracts any new obligation on their part nor makes any alteration as to them in the present condition of things".

The United States never have been, and are not now, animated by any spirit of propagandism. . . . Allowing no foreign interference either in the formation or in the conduct of their government, they are equally scrupulous in refraining from all interference in the original structure or subsequent interior movement of the governments of other independent nations.[3]

This assurance of a policy of abstention, given by an American Secretary of State, virtually contemporaneous with the pronouncement of the Monroe Doctrine, from the exercise of control, or even of influence, by the United States over the

[1] *International American Conference,* vol. IV, pp. 118-20, 136-37, 148-49.

[2] *Cf. supra,* p. 43, note.

[3] *International American Conference,* vol. IV, pp. 117, 122, 147, 148.

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affairs, external and internal, of the republics of Latin America stands out in significant contrast to the utterances of two other American Secretaries of State at a much later period. When placed beside them, it illustrates in striking fashion how disparity in national power changes the point of view, and denotes how profound the divergence in understanding and application becomes when two essentially different things are under consideration—the Monroe Doctrine and the subsequent relations of this country with its southern neighbors. Said Richard Olney in 1895:

> Today the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition. Why? . . . It is because . . . its infinite resources combined with its isolated position render it master of the situation and practically invulnerable as against any or all other powers.[1]

The Monroe Doctrine, declared Elihu Root in 1904:

> is an assertion of our right for our own interest to interfere with the action of every other nation in those parts of this hemisphere where others are sovereign . . . and to say, if you do thus and so, even by the consent of the sovereign, we shall regard it as an unfriendly act because it will affect us injuriously.[2]

Here the source of the possible "unfriendly act", it will be noticed, is made to shift from non-American nations to the republics of Latin America themselves. On another occasion in the same year Mr. Root asserted that "we arrogate to ourselves . . . only the right to protect; what we will not permit the great Powers of Europe to do . . . we will not permit any American republic to make it necessary for the great Powers of Europe to do."[3]

Regarding the attitude of this country toward the status of Cuba, the instructions of Mr. Clay were explicit indeed:

> No power, not even Spain itself, has in such a variety of forms so

[1] *House Documents,* 54 Cong., I sess., I, No. 1, pt. 1, p. 558.

[2] *Senate Documents,* 62 Cong., II sess., No. 471, p. 39.

[3] Elihu Root, *Miscellaneous Addresses,* p. 272.

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deep an interest in its future fortunes . . . as the United States. . . . We desire no change in the possession or political condition of that island and . . . we could not, with indifference, see it transferred from Spain to any other European power. We are unwilling to see its transfer or annexation to either of the new American States.

Were Colombia or Mexico to attempt the acquisition of the island by conquest, and the nations of Europe to interpose, and in so doing limit their course of action solely

to the object of preventing any change in the existing state of things . . . the United States, far from being under any pledge at present to oppose them, would find themselves . . . reluctantly drawn by a current of events to their side. . . . The humanity of the United States in respect to [Cuba as] the weaker, . . . and their duty to defend themselves against the contagion of such near and dangerous examples, would constrain them, even at the hazard of losing the friendship . . . of Mexico and Colombia, to employ all the means necessary to their security.[1]

With respect to the Congress of Panamá, the instructions state that

all notion is rejected of an amphictyonic council, invested with power finally to decide controversies between the American States or to regulate in any respect their conduct. . . . According to our views it is considered as entirely diplomatic. No one of the represented nations is to be finally bound by any treaty, convention, or compact to which it does not freely consent according to all of the forms of its own particular government.[2]

At Panamá, only three years after the pronouncement of the Monroe Doctrine, a chance was afforded of showing whether that declaration in itself meant anything genuinely suggestive of the relations which eventually were to be established between the United States and the countries of Latin America, or that might bear any real resemblance to the variegated forms that it was made later to assume. The instructions issued to the

[1] *International American Conference,* vol. IV, pp. 138, 140, 142.

[2] *Ibid.,* pp. 115, 151.

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American delegates would indicate that it had no such meaning or bearing. Rather than run any risks on the score of drawing the two Americas politically closer, the American frame of mind in those days apparently was characterized rather by aloofness. And this attitude was entirely correct; for the Monroe Doctrine signified that the United States should defend and promote its own interests alone.

Like Bolívar, Monroe and his collaborators wanted also to "make a noise", to "make the name of" the United States "resound", to "discourage" Europe and to "hasten" a renewed "recognition of our independence" by the European powers. Unaware though they were of each other's opinions,[1] expressed several years apart in time and a far greater distance

[1] In the supplementary instructions of March 16, 1827, Clay remarks: "The intelligence which has reached us from many points as to the ambitious projects and views of Bolívar, has abated the strong hopes which were once entertained of the favorable results of the Congress of the American nations. If that intelligence be well founded (as there is much reason to apprehend) it is probable that he does not look upon the congress in the same interesting light that he formerly did." Still, he adds, the value of the instructions "does not entirely depend upon the forms of the governments which may concur in their establishment, but exists at all times and under every form of government".—*International American Conference,* vol. IV, p. 152.

The reference is to the plans to have Bolívar crowned king, and thus to replace the republican by the monarchical system of government in the countries then under his control. There is no evidence known to the writer that, at the time the instructions in question were prepared, the Spanish-American statesman had changed his mind about the purpose of the Congress of Panamá. Even if his utterances prior to the assembling of that body and during its deliberations were marked by grandiosity of sentiments regarding its character and objects, allowance has to be made for the personal traits of Bolívar, the circumstances of the time and the ebullience of the Spanish-American temperament in general. Granting, also, that the ultimate failure of the enterprise may have filled him with a sense of disappointment, this in itself alone would hardly be sufficient, in the absence of proof to the contrary, to show that in 1828 he had veered to a radically different point of view. More than that, the exclusion throughout of the United States from any of his allusions to the Congress and its work merely emphasizes the fact that he had no thought of drawing into a scheme of mutual action any country outside of Spanish America. If a possible exception were to enter into consideration, it would be Great Britain. Clay and the Americans of his time do not seem to have understood the real Spanish-American attitude toward the participation of the United States in the matter. See Carlos A. Villanueva, *La monarquía en América: el imperio de los Andes,* pp. 138-66.

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in space and circumstance, both the American and the Spanish-American agreed in substance: that, with regard to all the states of America, North and South, "their interests" politically were "divergent, save only that of independence", and that while "diplomatic relations" might "exist among them", there was "no close relationship, except in appearance". On the other hand, the President of the United States assuredly "never thought" of what extraordinary interpretations of his Doctrine "would come out of it", any more than the president of Colombia did, of how the "interests" of the republic of the north and its southern fellows would become quite the opposite of "divergent" and their "relationship" in actuality, "close".

In the third place, during a period of forty years after the enunciation of the Monroe Doctrine the plain fact of the matter was, that the United States and the countries of Latin America had nothing between them resembling a closeness of connection. Up to the Civil War the American people had few dealings with the other Americans to the southward. The scantiness of their commerce matched the paucity of their knowledge. Mexico, Cuba and Central America, to be sure, were names that suggested areas for territorial expansion on our part, actual or possible. Certain of our statesmen had appreciated the utility of annexing adjacent regions, and others had cast wistful glances at an island or two and even bits of the mainland on the southern tip of the North American continent, as suitable abodes for evanescent ambitions; but Latin America as a whole and what it might contain or signify for our national future lay beyond the rim of public consciousness. It was the Civil War that brought it within our ken. From that time onward the relations between the United States and its neighbors on the southward began to undergo a course of development which has become extraordinarily complex.

The American government itself was little better informed or more interested than the people it represented. Formal relations, diplomatic and consular, were maintained with the southern countries, and substantially naught else. Had the Monroe Doctrine, accordingly, connoted or implied in any way the actual protection of the Spanish-American republics and the

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empire of Brazil, the United States assuredly could not have tolerated between 1823 and 1846 such occurrences as the creation of the republic of Uruguay under British auspices and at the expense of Argentina and Brazil, the "reoccupation" by Great Britain of the Falkland Islands—also at the expense of Argentina, the bombardment of a fort at Vera Cruz, Mexico, by a French warship, and the blockade on more than one occasion of the city of Buenos Aires by British and French warships, together with other forms of interference between Argentina and Uruguay by the European nations concerned. Yet no protest based on considerations of the Monroe Doctrine against performances of the sort came from this country.

That President Polk saw fit suddenly to remember the utterance of his Democratic predecessor and invoke it in connection with the annexation of Texas is beside the point; for the motives and methods of that transaction involved, not the genuine self-defense of the United States, but an enlargement of the national domain. Much the same was true of the subsequent controversy which arose with Great Britain regarding the proposed isthmian canal and territory in Central America seized by that power, and which was adjusted in a measure by the treaty of American self-abnegation known under the name of Clayton-Bulwer. Still later, schemes aimed at the subjection of parts of that area to European control were not checked by the United States as they might have been. Even when the government of this country protested against the French invasion of Mexico during the Civil War, the Monroe Doctrine was not mentioned in the diplomatic correspondence on the matter. Mr. Seward, then Secretary of State, was too good a Republican, it would seem, to apply a presumably Democratic nostrum to the relief of an ailment in the body politic of an immediate neighbor. Such a procedure might enfeeble the right of the United States to exercise over its southern fellows a protectorship hitherto latent and now becoming manifest, though not inherent at all in that Doctrine. During the latter part of the nineteenth century and the first quarter of the twentieth, also—notably from 1895 onward—when a part of the message of President Monroe has been brought to bear

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upon our relations with Latin-American countries, it had in reality no bearing upon them whatever.

If the United States has never had cause to enforce the Monroe Doctrine in acts of genuine self-defense, what then is responsible for the extraordinary number of misinterpretations, if not distortions, which appear to have made its principles, and others supposedly derived from them, befit sets of conditions quite distinct from both the original and present purpose of it? The answer may be found in the development of the United States as a nation, contrasted with that of its sister republics; in the fact, which cannot be gainsaid, that it has come to be overwhelmingly the most powerful and progressive country anywhere in the New World, and that it has had comparatively weak and backward neighbors to the south of it. That these lands differ among themselves in strength and importance, that they are capable of great advancement, that, with respect to their northern fellow, they may rise in individual cases, in groups or as a body, to a position of substantial equality, if not of superiority, in all that makes for international prestige, is within the range of possibilities. Up to the present at least they have not so risen. In other words, the evolution of factors and forces, geographical and historical, has produced here in the Americas an international situation that would have come about had the Monroe Doctrine never been uttered,[1] and that has no parallel elsewhere on earth.

[1] On this matter Mr. Hughes has said: "The decision of the question as to what action the United States should take in any exigency arising in this hemisphere is not controlled by the content of the Monroe Doctrine, but may always be determined on grounds of international right and national security as freely as if the Monroe Doctrine did not exist. The essential character of that Doctrine is found in its particularization, in the definite and limited application of the general principle relating to national safety to a particular set of circumstances; that is, in the assertion and maintenance of opposition to the encroachment by non-American powers upon the political independence of American states and to the extension by non-American powers of their control over American territory." — *The American Journal of International Law,* vol. XVII, p. 616.

In the opinion of the present writer, this is true enough as a general definition of the Monroe Doctrine, provided only that it be not construed so as to include relations getween the United States and the countries of Latin America

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From these circumstances two transcendent consequences have flowed. One is, the protean guises which the Monroe Doctrine has been obliged to don, and which have produced the four "misses"—of misunderstanding, misinterpretation, misapplication and misapprehension. The other, and vastly more significant consequence, is the fourfold relationship into which during a hundred years the United States has entered with the republics of Latin America. The individual aspects may be denominated as: Expansion, or the Course of Empire; Headship, or the Policy of Regulation; Pan-Americanism, or a Sentiment of Cooperation, and A League of Nations, or the "Regional Understanding". These made their appearance at different times, but are now virtually simultaneous. The first may be dated from about 1846, after the acquisition of Texas; the second, from about 1881, at the time of the Chilean-Peruvian-Bolivian War, which was destined, it would seem, to bequeath Tacna and Arica as a heritage for this country to apportion; the third, from about 1889, with the summons at Washington of the first International Conference of American States; and the fourth, from 1917, when the United States entered the recent war.

Now that we have had the Monroe Doctrine for a century, it might be desirable, at the outset of its second hundred years of existence, to attempt from a standpoint different from any adopted hitherto a correction of the popular notion, so current

which arose after the enunciation of that Doctrine and which were not embraced within its scope at the time. The right to defend our national existence is really not the point at issue, because it has never in fact been challenged. It might have been, if the United States had not become so strong as to avert the risk. The Latin-American countries, however, did not attain to anything like this position. The disparity between our power and their weakness altered fundamentally the nature of the situation. The Monroe Doctrine remained precisely the same as before; the relative standing of the two parties did not. Therein lay all the difference. The disparity in strength and progress between the United States and its southern neighbors made possible the change in the nature of the "particularization", as it was in 1823, from an attitude of national self-defense by and for the United States alone into a variety of relations between it and the lands to the southward which were not and could not be contemplated by the Monroe Doctrine, which did not exist at the time and which could not exist until long after, when factors and forces hitherto latent and potential could come effectually into operation.

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in the United States and outside of it alike, that the course of action followed since 1823 by the government of this country in its dealings with the republics of Latin America, and through them with certain lands of the Old World, is wholly or largely or in any way an outgrowth of that particular tenet. A distinction, accordingly, has to be drawn most sharply between the phenomena of national development in the western hemisphere and the consequences of them, on the one hand, and a supposititious evolution of what President Monroe once wrote to the American Congress, on the other. To aver that in 1823 the attainment of independence by the Latin-American countries and the possible menace created thereby to the United States itself evoked the Monroe Doctrine, is one thing that can be said without fear of valid contradiction. But to prove a contention that their subsequent relations with the United States, under or apart from the supposedly protecting aegis of the British navy, arose out of that Doctrine or were dependent upon it, is quite another thing. The four aspects of our relationship with the southern countries have not proceeded from this source at all, and none of them has necessarily any organic connection with it. When this distinction is rendered clear, the Monroe Doctrine will be perceived in its true character as an assertion simply of a right to self-defense—a great, smooth rock set in the tranquil sea of our national security, rid of all the barnacles and excrescences of foisted interpretation, upon which the critics of it here and elsewhere have needlessly scratched themselves. If the fourfold nature of that relationship with the republics of Latin America is once comprehended, then the policy of the United States toward its southern neighbors will be understood as a process of national development, quite apart from the Monroe Doctrine.

The first aspect of the relationship in question is revealed in the tendency of all prosperous and progressive countries to widen the territorial bounds of their political and economic orbit—a tendency to which usage has assigned the term "imperialism", although we as a people have been on the whole unconscious of it. Out of this have come forth the second and third phases; and it is they that constitute in reality the cloaks

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under which the Monroe Doctrine has been disguised, or the masks under which it has been made to figure—or better, has been disfigured. The second, then, of the aspects to be considered is the headship, leadership, hegemony, dominance or supremacy, as it may happen to be viewed, of the United States exercised over the region to the southward of its own borders. This it is, and not the Monroe Doctrine, which includes broadly the protection of the Latin-American republics from foreign interference or aggression—something not promised to them at all by that Doctrine, or properly inferable from it or from the subsequent attitude toward them of this country for many years after its pronouncement. Third in order, arising more or less naturally out of this headship, comes the cooperation inherent in the idea of Pan-Americanism, which might be defined as an appreciation of the existence of a community of problems and interests among the republics of America. The fourth aspect is a consequence of the two preceding and of the recent war. It suggests the possibility of a sort of union between the United States and those republics, or among the latter countries themselves, or between them and non-American countries, or among all three, in the form of a league of nations or otherwise.

Ere examining these relations further, it would be well once more to emphasize the fact that, at the time when the pronouncement of the Monroe Doctrine was made, none of them had emerged from its embedment in the geography and history of the New World. In that Doctrine are no evidences of a determination, or even of a willingness, on the part of the United States to protect the independence of the Latin-American countries, either alone or in association with them; no idea of acquiring territory at their expense; no thought of widening political and economic interests so far as practically to eventuate in a headship that would exercise tutelage over some of them and hold a greater or smaller amount of control over all of them; no conception of an influence that might be wielded through apparent cooperation with them; no notion of a closer union with them or with other states of the world in a league of nations. What the Monroe Doctrine meant then it means now;

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and what it always will mean is national self-defense, and naught else.

Since space does not allow an attempt to elaborate each of the four phases of our relations with Latin America, attention will be centered, partly upon certain characteristics of the expansion of the United States which are pertinent to the subject, but mainly upon the headship of this country in the western hemisphere, as the most conspicuous of all the factors concerned. "Pan-Americanism" and a "league of nations", as the two remaining aspects, will be treated as sources of additional evidence that the international position occupied by the United States in the New World is the outstanding feature in our relations with Latin America. Become such in little more than a quarter of a century, its most obvious manifestation lies in what may be termed the "Caribbean Policy."

In 1784 the Count of Aranda, the Spanish ambassador to France, addressed to King Charles III of Spain a famous memorial,[1] in which he foreshadowed with remarkably prophetic insight the future development of the United States and the power that it was destined to wield over the western hemisphere.

> This republic [he declared] has been born as it were a pygmy. It has needed the help and assistance of no less than two such powerful states as France and Spain, in order to conquer its independence. But a day will come when it will be a giant, a veritable awe-inspiring colossus in these regions. It will then forget the favors that it has received. It will think only of its own interest and its own convenience. . . . The first step of the new nation will be to seize Florida, so as to dominate the Gulf of Mexico. It will then conquer New Spain [Mexico] and our vast empire to the southward, the defense of which will be rendered impossible to us, since we shall not be able to contend with a powerful nation established on the same continent and in its vicinity.

Although the eminent Spanish diplomat was not wholly correct in his prediction, there are a number of territorial factors associated with our "course of empire" which furnish a rather

[1] *L'Espagne sous les rois de la Maison de Bourbon,* vol. VI, pp. 45-54. A translation into French, with additions, by Andrés Muriel (Paris, 1827) of William Coxe, *Memoirs of the Kings of Spain of the House of Bourbon.*

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startling commentary on the text of the Monroe Doctrine. The major portion of our national domain has been derived from Russia, the country of Europe at which the first dictum of the Doctrine was directly leveled; from Spain, the country of Europe at which indirectly the second and third dicta were aimed, and from Spanish-American republics, in the name of the preservation of whose independence was raised the issue of self-defense for the United States. It was Russia, Spain and Spanish America which provided opportunities for the American government to defy the powers overseas, for it to acquire lands adjacent to our existing domain, and to add others not so contiguous—some in the northwestern part of the continent, some in the Caribbean Sea and some in the Pacific Ocean. Naval stations, also, have been acquired and rights asserted and made good to sole ownership in an interoceanic canal now in operation, as well as similar rights to waterways that may hereafter be constructed between the two oceans that wash the shores of America. These far-flung outposts of empire, indeed, have enabled our federal constitution to become more or less amphibious—an instrument applicable on both land and water!

Even if the topic of our national expansion were to be viewed from an angle of what has been read into the Monroe Doctrine, there is nothing in its language which would uphold a contention that the great American tenet is a self-denying ordinance, unless of course an inference can be drawn from the general assumption of an ethical nature that what one constructively forbids others to do he may not do himself. Such an interpretation, however, is wholly refuted by the history of both the United States and the Latin-American countries since 1823. Tacitly or otherwise the Monroe Doctrine does not prohibit any of the nations of America from enlarging their respective territories, from acquiring a position of headship over their fellows, from entering upon degrees of relationship, through cooperation or union, which might betoken a solidarity of concern. In a word, when so misinterpreted, it does not forbid any of the independent countries of the New World from doing to one another precisely the things from which non-American nations are excluded. And this is true, simply because the Monroe Doc-

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trine has nothing to do with the matter. Moreover it is not susceptible, as already observed, of adoption by part or all of the world at large, except so far as to have each component state concerned declare that it believes in defending itself. Being what it is—a policy of self-defense and nationally unilateral—it can no more be accepted or affirmed or ratified or rendered partially or universally applicable on this, its positive side, by joint action with other nations than it can be, on its supposedly negative side, as a non-self-denying ordinance.

The possession of vast natural resources that have been developed by the enterprise of the descendants of our colonial ancestors, aided by European capital and immigration on an enormous scale, has enabled the United States to attain a phenomenal degree of national expansion. The Latin-American countries, much less favored in these respects by nature and by man, have lagged far behind it. Some of them, like Argentina, Brazil and Chile, have been distant compeers of the neighbor to the northward; and each in the measure of its strength and opportunity has widened its frontiers, more or less at the expense of neighbors close by.

In the mind of the American people, nevertheless, persists the notion that the Monroe Doctrine and "Latin America" are terms largely synonymous or interchangeable. According to it, the republics collectively designated by this geographical expression have few if any individual characteristics and have attained little development of their own, unless dated in some fashion from the pronouncement of a president of the United States more than a hundred years ago. Anything written or said about them presumably must be spurious or unreliable, unless the author of it has managed to insert an allusion at least to the Monrovian dicta. The notion, of course, is absurd; but when given utterance in a reverse order it does contain quite a bit of truth. For, if reference to "Latin America", or to any of the republics included within it, does not necessarily call up the Monroe Doctrine, there appears to be no doubt in our popular consciousness that mention of the Monroe Doctrine does suggest "Latin America".

Now, since the southern republics are thus conjured up when-

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ever this particular portion of a message of our fifth president be remembered, it is only fair that states upon which its solicitude is so currently believed to be centered ought to be heard on their own behalf. An impartial treatment of the Monroe Doctrine cannot be confined to what the people and governments of the United States and Europe alone have done about it. There is no justice in an assumption that the participation of "Latin America" itself in the problems concerned may safely be ignored, and correct information about conditions and states of mind there held altogether superfluous or negligible. When European writers and our own, who describe what they think the great pronunciamento has been, is, will be or ought to be, pay scant heed to the Latin-American viewpoint, and are oblivious to errors or misconceptions about the historical or present setting of the countries and peoples affected, they are not only committing an act of unfairness; but they are leaving a highly important part of the general picture unpainted.

Three parties, it has been remarked above, and not two, are concerned in connotations of the Monroe Doctrine and the relations of the United States with the republics of Latin America. These are: the United States, the republics themselves and non-American nations. The three constitute a species of international triangle, each of them forming a side. Why, then, should two of the sides be set up and the other left out? How can any self-respecting triangle exist when only two sides of it are shown? For what good reason should attention be directed almost solely to the actions and opinions of this country and Europe with reference to a third area, and the statesmen and writers of that area be denied a hearing? An exclusive attitude of the sort—particularly its maintenance at the present time—might give rise to a suspicion that "Latin America" is a small object of great interest between giants, much as Gulliver was among the Brobdignagians. It might suggest even the existence there of a sphere of influence to be contended for.

A survey, accordingly, of the Monroe Doctrine and the relations of the United States with the twenty republics that stretch in a mighty curve from the Rio Grande to Cape Horn, which would take all three parties into account, must grant con-

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sideration to the Latin-American factor and not restrict attention wholly to the two that lie geographically without. This accomplished, the next step would be to show what Latin Americans of one country or another have thought about the question and how they have reacted to the various manifestations of it. When their side will thus have been constructed, the triangle will have been made complete.

Because the United States has become so huge and powerful, and because of the geographical and historical origin of so considerable a part of its national domain, the spokesmen of Spanish-American republics, in contradistinction to Brazil, which has been relatively silent on this score or else inclined to regard itself as a United States of South America, have been prone on occasion to cry out with Cassius of old: "Upon what meat doth this our Cæsar feed, that he is grown so great?" "Why, man, he doth bestride the narrow world, like a Colossus." In the national expansion of the United States, coupled more especially with examples of the exercise of its headship through the policy of regulation, they behold evidence of an imperialism that has created not a little anxiety among them. Attributing most of it somehow to the Monroe Doctrine, they seem to have interpreted the initial letters, M. D., of that tenet as indicative of four unpleasant manifestations of such imperialism during the last quarter of a century. These may be designated perhaps under the forms of "Manifest Destiny", "Masterful Domination", "Money Diplomacy" and "Much Deception"!

Many a patriotic and national-minded Latin American doubtless would be pleased to have the United States fix irrevocably a southern limit to its expansion; to have our course of empire take its way anywhere except southward. Whether such desires are likely to be fulfilled, only a prophet may venture to assert or a historian of the future to record. One intimation of the outcome might be broached, namely, that it seems improbable that all of the Latin-American republics, and certainly the largest of them, will be disposed to enter into a compact among themselves, or succeed in enlisting for it the support of non-American nations, which would forbid any more acquisition of territory at one another's expense. Assertions, moreover, on

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the part of our own spokesmen, about the intention of the United States never to take another inch of Latin-American soil, really amount to very little in practice, so long as the characteristics of American headship and the policy of regulation in and around the Caribbean region in particular appear to be quite as conducive as actual annexation to what we deem to be the welfare of the politically or economically backward or troubled.

With regard now to the second aspect of our relations with Latin America, it may be said that the national expansion of the United States has enabled it to advance to a position of headship in the New World that is unique in international affairs. Outwardly at least, in its employment of regulation it may bear some resemblance to the erstwhile concert of the powers of Europe, even if it lacks the balance that the latter once had. As a matter of fact, however, it can have no balance, in the absence of a reasonable equilibrium in size, wealth and strength between the United States and any or all of its fellow republics in America. We tip the scales down too far for that, and leave them perched high in air, where they must remain until they manage to advance of their own momentum to a position of substantial equality with their northern neighbor. The headship of this country in the western hemisphere, moreover, has to do with the concert carried on by one nation alone, instead of, as in Europe that was, with several of them. However monotonous the unison of its tone, it assuredly has had, unlike its former European counterpart, the merit of striking no discords!

The extent to which the United States may go in widening the exercise of its headship into southern areas of the New World quite remote geographically from its own shores, is a question that would have been answered forthwith by Daniel Webster, three years after the pronouncement of the Monroe Doctrine, when he spoke of "distance of the scene of action diminishing our apprehension of danger". Today, and during the last quarter of a century or more, the reply would be very different: for now there seem to be no limits, geographical or otherwise, to the scope of our headship.

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In the assertion of its national preponderance the United States has prevented non-American countries from acquiring any part of the territory of an American republic, even with its own consent, under the guise of adjusting a boundary line or of leasing or purchasing land, or as an act of reprisal to obtain the satisfaction of pecuniary claims or to secure indemnity for injury committed to the persons or property of foreigners. It has not allowed a European country holding colonies in America to transfer them to another without the previous consent of the American government.

Just how far these phases of headship make it incumbent upon the United States to assume the responsibility for possible shortcomings on the part of the southern republics; whether it is in duty bound to force them to comply with their international obligations, should they evince a disposition to evade them by taking refuge in an immunity wrongly alleged to have been afforded them under the Monroe Doctrine, is a problem by no means resolved. The American government, to be sure, has expressly disclaimed any intention of permitting that Doctrine to be used as a shield against the consequences of misbehavior. It has allowed European nations to apply measures of coercion, so long as these did not eventuate in actual occupation, more or less permanent, of Latin-American territory. Though not subscribing to the Spanish-American contention, raised by the eminent Argentine jurist, Dr. Luís María Drago, that force should should never be employed by one nation against another for the collection of contractual debts, the United States did promote the adoption of a compromise reached at the second Hague Conference, providing for a resort to arbitration before compulsion should be applied. This country, also, has utilized its international position in America to bring moral and physical suasion to bear upon recalcitrant republics.

Although these particular forms of our headship may amount in practice to restrictions imposed by the United States upon the right of its fellow states to alienate their territory as they see fit, the underlying principle seems to accord with their own views. Among them it is regarded less as a diminution of

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power in the abstract than as a recognition of the duty to keep their national domain intact. When, however, the method of application appears actually to infringe upon their claims to sovereignty, endanger their independence, wound their national honor or susceptibilities, or to interfere in their internal affairs, it is apt to be anything but welcome to them.

In the Caribbean region, all the way round from Mexico to the Dominican Republic, and even far to the southward in South America itself, the United States has intervened in the affairs, external and internal, of Latin-American lands, to maintain order, secure free elections, rehabilitate finances, enforce rules of sanitation and investigate reports of the ill-treatment of Indians. It has imposed its mediation upon belligerent countries, placed others under military restraint, and virtually required others to accept its arbitration of their disputes. It has determined whether or not a particular president should be recognized, or a particular government sustained, and has created, directly or indirectly, two of the republics themselves —Cuba and Panamá.

As illustrated by these and similar activities lying quite outside the proper purview of the Monroe Doctrine, the United States has introduced into the Latin-American countries concerned a new kind of political and economic tutelage. Supposedly independent and sovereign nations have been placed under a special form of guardianship, which limits the enjoyment of independence and the exercise of sovereignty to the extent that the American government thinks needful to insure their peace, stability, solvency and general good behavior.

To Latin Americans who give heed to the relations of their countries with the United States, the trend of our policy toward them seems more obvious in its implication, if not also in its achievements, than it appears to most of our own people who pay any attention to the problem. In our governmental attitude and conduct they claim to observe the influence of geographical location, which serves to divide the field into three fairly separate centres. These three are: the Caribbean region proper, Mexico and South America, each of them being productive of a specific type of that policy.

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Because the small republics in and around the Caribbean are small, and because they lie so close to the United States, they belong, in Latin-American opinion, to what may be called our "Sphere of Potential Coercion." They are subject at any time to interference in their concerns, external or internal, which may result in a total or partial suspension of their national independence. Mexico, on its part, though nearer to the United States, is so much larger in size than all of its Caribbean fellows put together and the problems it presents, so vastly more difficult of solution than theirs, that it stands in quite a different situation with regard to its northern neighbor. Its place, Latin Americans think, is rather in the realm of our "Sphere of Potential Menace". To Mexicans intervention by the United States was ever "*El Fantasma*"—the grim phantom that terrified the opponents of Porfirio Díaz into submission to his long tenure of power. Nor has it ceased altogether to haunt the consciousness of the people to the south of the Rio Grande. It remains, nevertheless, a shadow there and has not become the substance that lies heavily upon the nationhood of the little republics close by. The South-American states, on the other hand, are in general too far away and their interests as yet are correspondingly too remote from our own for either coercion or menace to apply. Theirs is our "Sphere of Potential Ascendency", the real abode in Latin America of Pan-Americanism, to the extent that this sentiment of cooperation may be a working reality.

Turning now to this, the third aspect of our relations with Latin America, which has become more or less of a reality since the latter part of the nineteenth century, only one of the several features—political, economic, social and intellectual—that distinguish it will be singled out for passing treatment. This is the tendency fostered by the United States toward creating in the New World a species of concert of American powers which, free from the discords of Europe, may serve also to relieve in some degree the monotony of the tone of unison that wells from the exercise of American headship by itself. Instead, then, of acting alone in all cases, the United States has established the system of periodical meetings of delegates from

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the twenty-one republics of the New World, known as the "International Conference of American States" for the discussion of problems more or less common to them all, and also the international office at Washington, called "The Pan-American Union", for the diffusion of information about them. Moreover it has cooperated on occasion with the stronger and more progressive countries of Latin America in the exercise of a certain amount of external regulation, or has accepted their mediation, in connection with its weak or recalcitrant neighbors. While throwing about the headship of the United States the safeguard of an apparent species of international American support, Pan-Americanism in this sense leaves that headship substantially intact, while it has the further advantage of tending to abate among the Latin Americans themselves the fear of "Yankee imperialism." It avoids wounding the self-pride of the larger and more important republics. At the same time it enhances their prestige and reconciles perhaps their smaller associates more readily to needful processes of international guidance; provided, however, that such guidance does not take on the form of actual intervention in their internal affairs. On that phase of the matter the Spanish-American republics at least stand squarely in opposition.

The rise of such a "Concert of the Western World", to the extent that it appeared at various times prior to the entry of the United States into the recent war, seems to be due primarily to two causes. First in order must be reckoned the growth in strength and importance attained by Argentina, Brazil and Chile; secondly, the existence of a feeling in the United States similar to that already mentioned as existent in Latin America —that what lies in the main to the south of the Caribbean area stands in a somewhat different international category from what lies near the United States itself. Whether this attitude of mind among Americans was a consequence of the rise of the so-called "A B C" powers—a combination that did not survive the war —or proceeds from a closer concentration of our attention on the periphery of the Caribbean, in the furtherance of economic and political aims, is not readily determinable, although the latter supposition probably is nearer the truth.

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In the light of the foregoing treatment of the three aspects of our relations with Latin America, one may hazard the opinion that the policy of the United States toward its neighbors has been shaped, not by interpretations of the Monroe Doctrine, but by considerations and circumstances quite distinct. This policy has been dictated, it would seem, by a desire to uphold American preponderance while promoting throughout the countries of the New World south of our own borders a sentiment of inter-American solidarity, of which the headship of the United States shall be the outward and visible sign, though not from their standpoint necessarily, of an inward and spiritual grace!

The fourth and last phase of our relations with the republics of Latin America is too recent in appearance, too nebulous in form, too inchoate in structure, if not too fantastic in concept, to warrant much discussion. It is attuned to the music of the future. The United States may enter into a sort of union with its fellow republics in the New World, more effective by far than anything suggested hitherto by the operation or coopera- of Pan-Americanism. It may be confronted with a counter-poise, created by a union among Latin-American countries or the most powerful of them or, as members of the existing League of Nations, with their associates of Europe and elsewhere outside of America.

On the other hand, if one were to accept the definitions of the Monroe Doctrine provided in Article XXI of the Covenant of that League, as an "international engagement" or as a "regional understanding", for "securing the maintenance of peace"—neither of which happens to fit it—a different notion of of the outcome might be entertained. Were that Doctrine in point of fact a "regional understanding", in the sense in which Europeans comprehend and apply the expression, it could be made into a decidedly effective barrier to any realization of schemes of union against this country; for in that event the American people would be thoroughly justified on precedents furnished overseas in regarding it as turning all of Latin America over to the United States as a sphere of interest or influence—not to call it a hinterland—much as European nations have done in Africa, Asia and Polynesia.

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What that article of the Covenant has to say about the Monroe Doctrine, however, is too reminiscent of the definition once given of a crab, as a "red fish that swims backwards". The Doctrine is not, and never has been, an "international engagement", but a unilateral policy of the United States, which, happily, has never had to be enforced. It is not, and never has been, a "regional understanding"—whatever that means—but a national declaration of principle applicable to the United States alone; and it is not a device for "securing the maintenance of peace", except the peace of the United States, by asserting that it has the right of self-defense and will exercise it, if and when necessary. Otherwise the singularly lucid definition afforded by the Covenant of the great American tenet is quite correct!

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THE RELATIONS BETWEEN ADAM SMITH AND BENJAMIN FRANKLIN BEFORE 1776

IT was claimed by the late Dr. Simon N. Patten that *The Wealth of Nations* is a defense of the colonies, and an attack on the English colonial system. It was claimed that, but for Benjamin Franklin, Adam Smith would have written the treatise on politics promised in the passage at the end of *The Theory of Moral Sentiments*. Franklin was sent to England twice on missions to Parliament, as representative or agent of Pennsylvania, and by appointment, of other colonies; from 1757 to 1762, and again from December, 1764, to 1775, inclusive. It was said that he went to Scotland to see Smith, with a view of persuading him to write a treatise on colonial policy; or, at least, that when they met, Franklin urged such a task upon him. They were said to have been close friends, and in frequent communication with each other.

Like so many of the statements Dr. Patten was in the habit of making, this is a challenging and intriguing thesis. Dr. Patten was perhaps not over-thorough in scholastic citation; but his extensive reading, thinking and writing in the antecedents of English thought made his statements worthy of attention. In the same spirit of free inquiry which Dr. Patten exemplified, the writer undertook to "run down" to its sources this alleged contribution of Franklin to *The Wealth of Nations* or to Smith's thinking. While the data are not finally conclusive, the facts developed seemed to be worth presentation. The establishment of the statements cited would entitle our Franklin to a place of great importance in the history of economic theory, which at present he is seldom given.[1]

It will not be possible to include a large amount of interest-

[1] *Cf.* Thorpe, "Benjamin Franklin and the University of Pennsylvania," in U. S. Bureau of Education, *Circular of Information, No. 2, 1892,* Washington, 1893, pp. 99-100; also *op. cit., infra.*

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ing material collected from the letters and writings of Franklin,[1] showing his views on questions of political economy,[2] and colonial economy particularly. They make an interesting study in themselves, but are too large and heterogeneous a group for treatment here. They are available to any one who cares to look up the subject.[3] Only such parts of his writings and doings will be considered as seem to suggest reciprocal contacts and influences of Smith and Franklin.

I

It may hardly be claimed that "The Many Sided Franklin," as Paul Leicester Ford calls him, was an original economist. He never considered himself such and rarely recorded his views systematically on economic theories, except when they affected

[1] The writer wishes especially to thank the Mason Library for the opportunities of checking up data so generously afforded, and for access to documents. The personal assistance of Dr. Mason and of Mr. Edward, Miss Lapham and Mr. Carey, of the Mason Library, are also cordially acknowledged.

[2] There is a monograph upon this subject: "Benjamin Franklin as an Economist," by W. A. Wetzel, in *Johns Hopkins University Studies in Historical and Political Science*, Thirteenth Series, IX (1895). The following is Wetzel's summary (p. 55):

"In his works we find the following theses:

(1) Money as coin may have a value higher than its bullion value.
(2) Natural interest is determined by the rent of so much land as the money loaned will buy.
(3) High wages are not inconsistent with a large foreign trade.
(4) Population will increase as the means of gaining a living increase.
(5) A high standard of living serves to prolong single life, and thus acts as a check upon the increase of population.
(6) People are adjusted among the different countries according to the comparative well-being of mankind.
(7) The value of an article is determined by the amount of labor necessary to produce the food consumed in making the article.
(8) While manufactures are advantageous, only agriculture is truly productive.
(9) Manufactures will naturally spring up in a country as the country becomes ripe for them.
(10) Free trade with the world will give the greatest return at the least expense.
(11) Wherever practicable, state revenue should be raised by direct taxes."

[3] Mr. Lewis J. Carey, a graduate student at Northwestern University, is now working over this field (1924).

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a practical problem of his career as a diplomat. He was, however, in the thick of a struggle which absorbed the thought of the time—a struggle the character of which was primarily economic. Involving, as it did, the fate of the mercantilist policy, it was bound to elicit from him some statements bearing on colonial trade, new countries, foreign exchange and population.

Franklin was a striking example of the versatile minds that could be produced when there were few books and less knowledge in the now highly specialized fields of science. Men might then excel in many fields by alert observation and acute reasoning; they were not obliged to absorb an indigestible mass of social cud before being able to browse for themselves in new fields. Locke was another such man. Synoptic minds, we may call them.

Smith's subject, "moral philosophy", is a sufficiently broad field, as he interpreted it, but Smith was rather a forerunner of the modern specialized professor, though by no means so academic. He was therefore greater in his line than Franklin could hope to be in any of his theoretical dabblings, but not so efficient as a practical man. Had Franklin specialized more, or followed up with abundant leisure some of his researches, he probably would have excelled Smith. He had a more original, though less systematic, mind.

The political situation at that time would be apt to elicit theories of imperial administration from anyone about to write a treatise on political economy. We need not be surprised, then, to find a lengthy treatment of this subject in *The Wealth of Nations* (IV, vii), besides numerous references to colonies throughout the work, especially in the last few chapters. A considerable agreement between an advocate of the victims of a false colonial policy and an economist imbued with Physiocratic ideas need not necessarily involve a mutual influence.

On the other hand, such influence seems to be very plausible from a superficial study of the evidence. Smith and Franklin met in Edinburgh [1] in 1759 at a supper given by Dr. Robertson.

[1] Rae, *Life of Adam Smith*, London, 1895, ch. viii, and pp. 150-1.

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Smith at this time had headquarters in Glasgow, but seems to have oscillated between there and Edinburgh, where he was one of a brilliant circle. Franklin became a close friend of Kames, Strahan the printer,[1] Millar, Hume, and (in London) other well-known men who were friends of Smith. The *Économistes* of Paris, Turgot, Dupont de Nemours, Condorcet etc., were mutual acquaintances. Their very similarity of belief, independent of possible personal motives on either side, would seem to draw them together. Smith and Franklin both had the advantage of being citizens of the Empire, yet not Englishmen: they could observe the policy of the Georges and their successive (but not successful) ministries from an interested, but less partial, standpoint than could Londoners.

In 1773–6 Smith was in London revising *The Wealth of Nations*—somewhat unexpectedly, too, since he came down from Kirkcaldy with the intention of publishing at once. This is indicated in his correspondence with Hume preceding that event. Franklin was also in London during 1773 and until March of 1775. They mingled with the same group of friends.

> Questions in political economy were much discussed at this time [1773] in Franklin's circle. Adam Smith, who was then employed in writing his great work upon the Nature and Causes of the Wealth of Nations, came, several times, from his lonely retreat in Scotland to consult with learned friends in London, where his master, Hume, was established as under-secretary of state.[2] That Franklin was one of those from whom he derived important aid, could be easily demonstrated by a comparison of passages from the writings of the two economists. To take one example: A newspaper article by Franklin upon the Laboring Poor, published in 1768, five years before the first volume of the Wealth of Nations was finished, contains the statement, that "our laboring poor do in every year receive *the whole revenue of the nation;* I mean not only the public revenue, but also the revenue or clear income of all private estates, or a sum equivalent to the whole," which is one of Adam Smith's most striking positions, the corner stone, in fact, of his system. We have, also, this explicit assertion of Mr.

[1] The first edition of *The Wealth of Nations* is "Printed for A. Strahan".

[2] Footnote from Parton: "Hume to Adam Smith, 1776."

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Watson, the author of the Annals of Philadelphia: "Dr. Franklin once told Dr. Logan [etc.] . . . . ."[1]

At this point Parton, Franklin's biographer, quotes with only slight inaccuracies. The passage in question appears in Watson's *Annals of Philadelphia*, 1844 edition, vol. I, p. 533.

He once told Dr. Logan that the celebrated Adam Smith, when writing his "Wealth of Nations," was in the habit of bringing chapter after chapter, as he composed it, to himself, Dr. Price and others of the literati; then patiently hear their observations, and profit by their discussions and criticism—even sometimes submitting to write whole chapters anew, and even to reverse some of his propositions.

This last is the real foundation for the other statements. Were it not for Watson's statement, it is not likely that Rae, Smith's biographer, and Parton, Franklin's biographer, would have made so much of the matter. Parton continues:[2]

In contributing his quota of thought and knowledge to a work which the author of the History of Civilization in England considers "the most important book ever written," and "the most valuable contribution ever made by a single man towards establishing the principles on which government should be based,"[3] Dr. Franklin conferred a particular, and, perhaps, not unforeseen benefit upon his own country.

Watson's statement is probably based upon the statements of Deborah Logan, made after her husband's death. In a letter to a friend in 1829 she wrote:[4]

Dr. Franklin once told my husband that the celebrated Adam Smith, when writing his "Wealth of Nations," was in the habit of bringing

[1] Parton, *Life and Times of Benjamin Franklin*, N. Y. and London, 1864; vol. I, pp. 536-7.

[2] *Ibid.*

[3] Footnote from Parton: "Buckle's 'History of Civilization in England,' i, 154."

[4] "Dr. Franklin, Charles Thompson and Mrs. Logan," *The Historical Magazine*, December, 1868, page 280. Communicated by Hon. William Willis, LL.D., of Portland, Maine. The quotations are from original letters then in the possession of Dr. Willis. For this reference I am personally indebted to Dr. W. S. Mason.

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chapter after chapter, as he composed it, to himself, Dr. Price and others of the literati of that day, with whom he was intimate; patiently hearing their observations, and profiting by their discussions and criticisms. Nay, that he has sometimes reversed his positions and rewritten whole chapters, after hearing what they had to remark on the subject before them.

This was written at the age of sixty-eight, eight years after her husband's death. This letter was not published until after Parton's biography, but its close resemblance shows the connection. Watson, who was a friend of Mrs. Logan, had free access to Mrs. Logan's collection and doubtless used the manuscript of her *Memoir of Dr. George Logan of Stenton*, which was published in 1899 by the Historical Society of Pennsylvania. Mrs. Logan died (1839) five years before the first edition of the *Annals*.[1] In this *Memoir* (pp. 46–7) is found a similar statement, still more explicit, and it very likely precedes the letter above quoted:

> In reading the "Wealth of Nations," which he justly appreciated without approving of all which the author has advanced, he told me of what Dr. Franklin had related to him of Adam Smith, with whom he was well acquainted. When writing that celebrated work, he was in the habit of taking the chapters as he composed them to his literary friends, and submitting the work to their inspection and criticism. He often availed himself of the benefit of their remarks, so as to rewrite chapters and reverse propositions. Dr. Franklin said he frequently brought it to himself and Dr. Price.

Mrs. Logan's competence and memory are highly praised by her editors.[2] *The Wealth of Nations* is said by Charles J. Stillé to have been Dr. Logan's "favorite text book."[3] The Logans married in 1781; there seems to have been great confidence between them.[4] The *Memoir* is said to have been begun

[1] *Op. cit.*, p. 281.

[2] Watson, *Annals of Philadelphia and Pennsylvania in the Olden Time*, Philadelphia, 1844, vol. I, pp. 27, 77, 558, and especially pp. 573-4; also the *Memoir* (p. 10) and the article by Willis above cited.

[3] *Memoir of Dr. George Logan of Stenton*, Philadelphia, 1899, p. 13.

[4] *Ibid.*, p. 30.

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shortly after Dr. Logan's death in 1821.[1] This is thirty-one years after Franklin's death. Dr. Logan studied medicine in Edinburgh until 1779 (aged twenty-six), and soon after was intimate with Franklin at Passy.[2] The writer does not know whether they were acquainted in England before 1776, but they were close friends in America later in life.[3] We have thus no way of dating either of the conversations to which Mrs. Logan referred, except that the first of the two must have been at least thirty years before Mrs. Logan's memoir of her husband was written. Whether the memoir was based upon written notes does not appear.

In the *Memoirs of the Life of the Rev. Richard Price, D. D. F. R. S.*, by William Morgan, F. R. S.,[4] there is no mention of Adam Smith, though Franklin is frequently mentioned. This is the chief source[5] for the life of Dr. Price; and his is the only other name mentioned with Franklin's in Mrs. Logan's account.

It is not likely that either Parton or Rae ever saw the sources of Watson's statement as given above, and yet, in view of an elderly widow's natural bias, Rae's comments seem not unjust:

> Franklin's remark may have itself undergone enlargement before it appeared in print, but though it may have been exaggerated, there seems no ground for rejecting it altogether. Smith became acquainted with Franklin in Edinburgh in 1759, and could not fail to see much of him in London, because some of the most intimate of his own London friends, Sir John Pringle and Strahan, for example, were also among the most intimate friends of Franklin. Then a considerable proportion of the additions, which we know from the text of the *Wealth of Nations* itself to have been made to the work during this London period, bear on colonial or American experience.[6] And as Smith

[1] *Ibid.*, p. 10.

[2] *Ibid.*, pp. 35, 36.

[3] *Ibid.*, p. 38.

[4] London, 1815.

[5] *Dictionary of National Biography*, XLVI, p. 337 (T. F.), New York and London, 1896.

[6] For example, American wages, I, viii, added 1773; sugar refining in the colonies taken from the French, IV, vii, added 1773. (See Rae, *op. cit.*, pp. 256-7.) *Cf.* also III, ii, on emancipation of slaves by Pennsylvania Quakers.

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always obtained a great deal of his information from the conversation of competent men, no one would be more likely than Franklin to be laid under contribution or to be able to contribute something worth learning on such questions. The biographer of Franklin states that his papers which belong to this particular period "contain sets of problems and queries as though jotted down at some meeting of philosophers for particular consideration at home," and then he adds: "A glance at the index of the *Wealth of Nations* will suffice to show that its author possessed just that kind of knowledge of the American Colonies which Franklin was of all men the best fitted to impart. The allusions to the Colonies may be counted by hundreds; illustrations from their condition and growth occur in nearly every chapter. We may go further and say that the American Colonies constitute the experimental evidence of the essential truth of the book, without which many of its leading positions had been little more than theory."[1] It ought of course to be borne in mind that Smith had been in the constant habit of hearing much about the American Colonies and their affairs during his thirteen years in Glasgow from the intelligent merchants and returned planters of that city.[2]

It might be added that the account by Watson is the only mention of Smith in the index of the *Annals*; that Mrs. Logan's statement is apparently memory of hearsay, resting on an undated statement, not on documentary evidence, and probably depending for its accuracy also upon the memories of Dr. Logan and Dr. Franklin. Even Rae, as compiler, made slight errors in copying it.

II

In 1759, says Parton,

> Adam Smith was correcting the proof sheets of his Theory of Moral Sentiments; a Glasgow professor then, the Wealth of Nations conceived, but sixteen years from being finished. With most of these noted persons, either then or afterwards, Franklin became acquainted. Not with Johnson. . . . Nor intimately with any but Burke, Smith, and Hume.[3]

With these statements of Mrs. Logan, Parton and Rae as a starting point, let us examine more closely the contemporary

[1] Footnote from Rae: "Parton's *Life of Franklin*, i, 537."

[2] Rae, *ibid.*, pp. 265-6.

[3] Parton, *op. cit.*, p. 399.

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evidence of a close friendship and possible interchange between these men. The contemporary sources are the letters and memoirs of the group of men associated with Smith and with Franklin.

The present study did not cover the correspondence of any of Smith's group of friends except that of Lord Kames; but includes a careful examination of Franklin's correspondence and writings from 1759 to 1776, and the letters of that period reproduced in Rae's *Life of Adam Smith*. It also includes the lives and memoirs of as many as possible of Franklin's friends.

The outlines below trace the middle portions of Smith's and Franklin's lives, to show at what points contact without correspondence would be possible during the period when Franklin was abroad, previous to the publication of *The Wealth of Nations*. The dates of plausible bits of evidence are also noted.

FRANKLIN	DATE	SMITH
To England (London).	1757	Edinburgh and Glasgow.
London and England.	1758	Edinburgh and Glasgow.
London. Visits Edinburgh in Spring. Perhaps Glasgow. Feb. 12, Sept. 5.	1759	Edinburgh and Glasgow. Meets Franklin. *Theory of Moral Sentiments.*
London and England.	1760	Glasgow. Mentions Franklin.
London except *circa* Sept. 1–20—Holland and Flanders.	1761	Glasgow. London, *circa* Sept. 1 to Oct. 10; about 20 days in London while Franklin was there.
Returns to Philadelphia.	1762	Glasgow and Edinburgh.
Philadelphia.	1763	Glasgow.
Philadelphia. To England in November.	1764	Toulouse and France. Begins "a book."
London—Second Mission. The Stamp Act trouble.	1765	Geneva and Switzerland.
London.	1766	Paris. London in November–December. "Moving among the great."
London. Paris, circa Sept. 1 to November.	1767	London to May. Kirkcaldy to September. Dalkeith.
London. *The Labouring Poor.*	1768	Kirkcaldy. "At work on the book."
London.	1769	Kirkcaldy.
London.	1770	Kirkcaldy. Edinburgh. June 6.
London. Ireland, Glasgow, Edinburgh (Nov. 17), Blair Drummond, Aug. 21–Dec. 1.	1771	Kirkcaldy. "At work on the book."
London.	1772	Kirkcaldy.
London. *Prussian Edict. Rules for Reducing*, etc.	1773	Kirkcaldy. London in Spring to April.
London. Tract on Emigration.	1774	London. Revising work.
London to March. Philadelphia.	1775	London.
Philadelphia, Paris. *The Revolution.*	1776	London till April. *The Wealth of Nations.*

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The personal contacts obviously must have been either in London or in Scotland. We seek now for positive evidence of acquaintance in the writings of the two men and their friends.

There is one authenticated meeting, and one only, at Edinburgh, 1759, as the guests of Dr. Robertson. Of this meeting we have almost as vague an account as that of Watson regarding the alleged London contacts.[1] Parton and Rae cite from Dr. Carlyle's *Autobiography* "an imperfect account" with "little worth repeating."[2] Hume, Robertson, the two Franklins (the future Governor Franklin came with his father on his first mission), Dr. Cullen, Dr. Wight and Dr. Carlyle were of the group. Dr. Carlyle's account is as follows:

> Wight, who could talk at random on all sciences without being very deeply skilled in any, took it into his head to be very eloquent on chemistry, a course of which he had attended in Dublin; and perceiving that he diverted the company, particularly Franklin, who was a silent man, he kept it up with Cullen, then professor of that science, who had imprudently committed himself with him, for the greatest part of the evening, to the infinite diversion of the company, who took great delight in seeing the great Professor foiled in his own science by a novice. Franklin's son was open and communicative, and pleased the company better than his father; and some of us observed indications of that decided difference of opinion between father and son which, in the American war, alienated them altogether.[3]

This does not argue any great contact between the two men at this time. There seem to have been no further opportunities for them to meet in Scotland.

With one exception only, the mention of Franklin by Smith himself is in a letter to Strahan, written from Glasgow, April 4, 1760, within a year of meeting Franklin for the first time:

[1] *Ibid.*, p. 403; Rae, *op. cit.*, pp, 150-151. Professor Thorpe makes a great deal of this meeting: "The meeting of three such forces in the world by the communion of Frankline[sic] and Hume and Smith in their conversations in Edinburgh suggests a subject for philosophical examination." (Benjamin Franklin and the University of Pennsylvania, *loc. cit.*, p. 104.)

[2] Carlyle, *Autobiography of the Rev. Dr Alexander Carlyle,* London, 1860; pp. 394-5.

[3] *Ibid.*, pp. 394-5.

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Remember me to the Franklins. I hope I shall have the grace to write to the youngest by next post to thank him in the name both of the College and of myself for his very agreable [sic] present.[1]

This doubtless refers to the meeting in 1759.

The writer has collected a few additional plausible allusions in Franklin's writings. It will be seen that they are tenuous enough.

In 1760 (Jan. 3), Franklin writes a "bread-and-butter" letter to Lord Kames, for his hospitality, and speaks of "the agreeable and instructive society we found there in such plenty."[2]

In 1760 (Sept. 27), Franklin writes to Hume one of the few letters they exchanged, congratulating him on his *Jealousy of Commerce*, and applying its theories to the colonies very briefly.[3] Hume and Smith were life-long friends, and Smith also saw the book mentioned, and was probably influenced by it.

In 1766 (Nov. 22), Millar writes "to David Hume in Edinburgh, . . . that Smith was then in London and moving about among the great,"[4] among whom Franklin might have been included.

In 1768 (Feb. 28), a letter from Franklin to Lord Kames merely mentioned his "friends in Scotland."[5]

In 1769 (Feb. 21), at the end of a letter to Lord Kames in which there is a very clear statement of the labor or cost of production theory of value, he adds, "I have sent by sea . . . a little box, containing a few copies of the late editions of my books, for my friends in Scotland . . . one for your society."[6] Smith probably did not receive one of these. He is not

[1] Bonar (Ed.), *A Catalogue of the Library of Adam Smith*, London, 1894; *facsimile* photogravure insert opposite page 1.

[2] Bigelow, *The Works of Benjamin Franklin*, New York and London, 1904, vol. III, pp. 250-1; quoted by Parton, *op. cit.*, p. 403; also *cf.* Rae, *op. cit.*, pp. 150-1, quoted below.

[3] Bigelow, *op. cit.*, vol. III, pp. 335-6.

[4] Rae, *op. cit.*, p. 232.

[5] Bigelow, *op. cit.*, vol. IV, p. 405.

[6] *Ibid.*, vol. V, p. 62.

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specifically mentioned, nor have we any reply from him. He might have seen the copy belonging to the society, but it is unlikely, as he does not seem to have left Kirkcaldy but once more until he came to London. To be sure, Kirkcaldy is only across the Firth north of Edinburgh, but traveling was hard for Smith in those days, as we may infer from Hume's apparently vain attempts to coax him out. His visit to Edinburgh in June, 1770, seems to have been very brief. It was a gala occasion, on which he could hardly have done much studying. The set is not included in Bonar's catalog of Smith's library.

In 1771 Franklin visited Glasgow and Edinburgh on his return from a trip to Ireland. Smith, however, was still in Kirkcaldy, and Franklin does not seem to have gone out of his way to see him any more than Smith did to see Franklin. That Franklin would have gone to him had there been any close communication between them is indicated by the fact that he went much further out of his way to visit Lord Kames.[1] On November 17, he writes to Strahan from Edinburgh, "I have been at Blair Drummond on a visit to my friend Lord Kames, thence I went to Glasgow."[2] A letter to Joseph Galloway (February 6, 1772), refers to Scotch hospitality and Scotch economic conditions, but with no personal mention.[3]

Hume, indeed, writes Franklin (February 7, 1772)[4] from Edinburgh, in his cordial style, " . . . the good wishes of all your brother philosophers in this place attend you heartily and sincerely, together with much regret that your business would not allow you to pass more time among them." There is nothing definite here, however.[5]

[1] Blair Drummond is between Glasgow and Edinburgh, but in Perth, some distance to the north.

[2] Bigelow, *op. cit.*, vol. V, p. 270.

[3] A. L. S., Mason Library, not in Smyth's collection.

[4] Bigelow, *op. cit.*, vol. V, p. 325.

[5] Cf. *Account of the Life and Writings of William Robertson* (no author), London, 1801, Appendix, p. 139, quoted from Dr. Carlyle: "Among the most distinguished Speakers in the Select Society were", etc. . . . "David Hume and Adam Smith never opened their lips." In a list from Dr. Carlyle, dated Oct. 17, 1759, included in the above, Adam Smith is listed as a member, though located at Glasgow.

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A more plausible bit of evidence is found in Hume's letter to Smith, dated the 13th of February, 1774, when Smith was in London:

> Pray what strange accounts are these we hear of Franklyn's conduct? I am very slow in believing that he has been guilty in the extreme degree that is pretended, tho' I always knew him to be a very factious man, and Faction next to Fanaticism is of all passions the most destructive of morality. I hear that Wedderburn's treatment of him before the Council was most cruel without being in the least blamable. What a pity![1]

This is apropos of the episode of the Hutchinson Letters, in which Franklin probably made a mistake, but was so terribly abused. Hume seems to have believed his detractors. It at least proves the continued acquaintance of Smith with Franklin, but nothing further.

In *Footsteps of Dr. Johnson (Scotland)* by J. Birkbeck Hill[2] is the following comment in regard to Hume's residence in James Court, Edinburgh:

> Here he [Hume] had welcomed Benjamin Franklin, here Adam Smith had been his frequent guest, and here he had offered a shelter to Rousseau.

So near and yet so far!

Turning then to the periods when both men were in London:

The three weeks in 1761 were busy ones for Smith, and he had not yet entered the field of political economy deeply enough to make any chance meeting with Franklin significant at that time.

The six months in 1766–7 and the three years in 1773–6 are the periods of doubt. The writer submits that in Franklin's abundant papers we should find some indication if the intercourse between the men was close enough to influence Smith

[1] "*Hume MSS.*, R. S. E. Library." Quoted in Rae, *op. cit.*, p. 267. Slightly differing version in Burton, *Life and Correspondence of David Hume*, vol. II, p. 471. Another (but immaterial) sentence appears after the word "morality".

[2] London, 1890, p. 74.

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seriously or, indeed, had it been more than a friendly acquaintance.

It will be recalled that Parton (quoted in Rae, above) refers to certain memoranda in Franklin's papers which indicate discussions in which Smith is supposed to have taken part. Let us examine these. In Smyth's and Bigelow's editions of the *Works of Benjamin Franklin* is to be found a memorandum of an economic problem, which shows a well-developed practical man's analysis of the fallacy of mercantilism.

London, 7 July, 1767.

Suppose a country, X, with three manufactures, as *cloth*, *silk*, *iron*, supplying three other countries, A, B, C, but is desirous of increasing the vent, and raising the price of cloth in favor of her own clothiers.

In order to this, she forbids the importation of foreign cloth from A.

A, in return, forbids silks from X.

Then the silk-workers complain of a decay of trade.

And X, to content them, forbids silks from B.

B, in return, forbids iron ware from X.

Then the iron-workers complain of decay.

And X forbids the importation of iron from C.

C, in return, forbids cloth from X.

What is got by all these prohibitions?

Answer.—All four find their common stock of the enjoyments and conveniences of life diminished.[1]—B. F.

This indeed, seems like just such a memorandum as is mentioned by Rae and Parton. Unfortunately for the theory of direct influence, Smith had left London two months before that date.[2]

In 1767 there is also a memorandum attached to an argument forwarded by Governor Pownall to Franklin for refutation;[3] this, however, was while Adam Smith was at Kirkcaldy. Governor Pownall was in America, and there is nothing to indicate that the memorandum was used for discussion. It is

[1] Text copied from Bigelow, *op. cit.*, vol. IV, pp. 299-300.

[2] Rae, *op. cit.*, p. 238. The evidence in the letters corroborates this statement.

[3] Bigelow, *op. cit.*, vol. IV, pp. 342-3.

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inserted here, however, as it shows a well-worked-out theory of the international division of labor under freedom of trade, and the undesirability of obstructing it artificially.

The argument which had bothered Pownall was, briefly, as follows: If colonies are represented and are equally taxed, they must have equal powers of trade and manufactures; then Atlantic profits may shift center to America, and its producing and landed interests be benefited at the expense of the mother country. The balance of power will then shift.

Says Franklin:

> This *objection* goes upon the supposition that whatever the colonies gain Britain must lose, and that if the *colonies* can be kept from gaining an advantage, *Britain will gain it.*
>
> If the colonies are fitter for a particular trade than Britain, they should have it, and Britain apply to what it is more fit for. The whole empire is a gainer. And if Britain is not so fit or so well situated for a particular advantage, other countries will get it *if the colonies do not.* Thus Ireland was forbid the woollen manufacture, and remains poor; but this has given to the French the trade and wealth Ireland might have gained for the British Empire. . . . It by no means follows, that promoting . . . the landed interest in America will depress that of Great Britain; the contrary has always been the fact. Advantageous situations and circumstances will always secure and fix manufactures. Sheffield against all Europe these three hundred years past.

Of course, it is not impossible that some exchange of ideas took place on this question during the months from November to May, 1768, when the two men were in London together.

The next memorandum appears in 1769.[1] It is of the character noted by Parton, and contains some interesting theories. However, Smith was again in Kirkcaldy.[2] Striking resemblances and striking differences are to be noted between the positions here outlined and those later advanced by Smith in *The Wealth of Nations.*

[1] Bigelow, *op. cit.*, vol. V, p. 68.

[2] Rae, *op. cit.*, pp. 247-50.

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Positions to be examined, concerning National Wealth.

[Dated April 4, 1769.]

1. All food or subsistence for mankind arises from the earth or waters.
2. Necessaries of life, that are not food, and all other conveniences, have their values estimated by the proportion of food consumed while we are employed in procuring them.
3. A small people, with a large territory, may subsist on the productions of nature, with no other labor than that of gathering the vegetables and catching the animals.
4. A large people, with a small territory, find these insufficient, and, to subsist, must labor the earth, to make it produce greater quantities of vegetable food, suitable for the nourishment of men, and of the animals they intend to eat.

From this he goes on and derives wealth, defined in terms of superfluity, and explains that wages are mere subsistence because the products of labor without land are only equal to the value of that labor measured in terms of "the provisions consumed in producing them." The excessive profits of manufactures in foreign trade are ascribed to ease in transportation and ignorance of costs by the purchaser. It may be that these, like the memorandum from Gov. Pownall, are some one else's opinions "to be examined" by Franklin, and not his own mature thought.

There is also extant, in one collection of the Shipley (St. Asaph) family, a document, holograph copy, undated (not in Smyth), with the following title: *Remark on Chap. XI of the Considns on Policy, Trade, &c.*, dealing with the surplus product of land, its exchange for manufactures, or its use as a base for local manufactures, the value of which is thus traced to land, rather than to labor. The only Chapter XI in *The Wealth of Nations* is in Book I, on the Rent of Land. The *MS.* probably refers to another work.[1]

In 1775 Franklin listed a number of queries relating to the

[1] Cf. Steuart, *An Inquiry into the Principles of Political Oeconomy . . . . . Domestic Policy in Free Nations. . . . .* London, Printed for A. Millar [acquaintance of Franklin] . . . 1767; Book II (Of Trade and Industry), chapter xi, on similar topics.

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colonies to be discussed with Lord Chatham,[1] which partly parallel some of the material in *The Wealth of Nations*, IV., vii, in regard to the founding and growth of the colonies. The memorandum is obviously a political one, and though Smith was in London at that time, there is only the possibility that similar subjects were discussed. This does not seem to be a "jotting" of the character noted by Parton. The "Hints" for reconciliation,[2]—Franklin's final effort in 1775, before leaving England—are even further from the mark. They did not represent his full views, and were kept secret. There are no more such memoranda added in Smyth's edition of Franklin's writings.

It seems, therefore, that the evidence is not strong at this point for close discussion between Smith and Franklin over *The Wealth of Nations*.

Hume writes Smith in 1776 after Franklin's departure from London:

> The Duke of Buccleugh tells me that you are very zealous in American affairs.[3]

Rae adds:

> Smith followed the struggle, as we see from many evidences in the concluding portion of the *Wealth of Nations*, with the most patriotic interest and anxiety, and having long made a special study of the whole problem of colonial administration, had arrived at the most decided opinions not only on the rights and wrongs of the particular quarrel then at issue, but on the general policy it was requisite to adopt in the government of dependencies . . . Smith . . . held that there need never be any occasion for separation as long as mother country and dependency were wise enough to keep together, and that the sound policy to adopt was really the policy of closer union—of imperial federation.[4]

[1] *Cf.* Smyth, *The Writings of Benjamin Franklin* . . . New York, 1907, vol. VI, p. 366. (Jan. 31, 1775.)

[2] *Ibid.*, vol. VI, p. 382.

[3] Rae, *op. cit.*, pp. 281-2.

[4] *Ibid.*

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It is clear that Smith's and Franklin's views were really diverging rather than being exchanged at this time.

It is unfortunate that we have not Franklin's answer (if there was one) to the letter of Georgiana Shipley (February 11, 1777) to Franklin in France[1] in which she asks,

> Pray have you met with Smith's "Wealth of Nations"? if not, I venture strongly to recommend it to you. I have read only parts, but propose shortly to read it regularly through. His sentiments are liberal and the language clear and interesting.

This might imply that she assumed Franklin's knowledge of at least Smith's reputation, but hardly that she knew of any intimate association of the two men, or influence of the one upon the other's writing. We do not even have direct evidence that Franklin ever read *The Wealth of Nations*. There is, however, in the Mason Library a clerk's memorandum of books transferred from sitting room to office in Franklin's residence at Passy, which includes the name of *The Wealth of Nations*.

III

Apart from the above evidence, which seems scanty enough, we have only additional secondary accounts, presumably based on the same evidence, and of value merely as cumulative scholarly judgment.

The *Encyclopedia Britannica*[2] says,

> During his sojourn of five years in England he had made many valuable friends . . . among whom Hume, Robertson and Adam Smith were conspicuous.

This refers to his first mission. No additional authority is cited.

The *Dictionary of National Biography*[3] cites Watson as

[1] Given in Hale, Edward E., and Hale, Edward E., Jr., *Franklin in France*, Boston: 1888. Part I, pp. 91 *et seq*,

[2] Eleventh Ed., article "Benjamin Franklin" (Richard Webster), vol. XI, p. 25.

[3] New York and London, 1898, article "Adam Smith" (Leslie Stephen), vol. LIII, p. 7.

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hearsay, and adds: "Various passages in the book show that it was undergoing revisions at this time [1775]."

Parton writes,[1] with assurance:

Franklin combated this astonishing delusion [that the people and the wealth of colonies were just so much drawn from the mother country] by arguments which Adam Smith has since made familar to the world. Indeed, there can be no doubt that the author of the *Wealth of Nations* read this pamphlet before he wrote the first book of his great work, which contains very numerous allusions to the North American colonies. . . .

Franklin's conjecture that the population of the colonies would double every twenty-five years, was very happy. . . . Adam Smith adopts the conjecture.[2]

Smyth in his life of Franklin,[3] asserts:

Adam Smith communicated with him on some particulars of "The Wealth of Nations" several years before that epoch-making work was published.

But Smyth adduces no evidence on the point.

Rae (pp. 150–1) quotes Franklin regarding the 1759 visit to Scotland: "'six weeks,' said Franklin, 'of the densest[4] happiness I have met with in any part of my life'". Referring to Smith's letter of April 4, 1760, cited above, Rae adds:

. . . it seems from this letter highly probable that he had gone through to Glasgow, and possibly stayed with Smith at the College. Why otherwise should the younger, or, as Smith says, youngest, Franklin have thought of making a presentation to Glasgow College, or Smith of thanking him not merely in the name of the College, but in his own? Strahan was one of Franklin's most intimate private friends.

[1] *Op. cit.*, vol. I, p. 418.

[2] Footnote from Parton: "'In Great Britain[,] and most other European countries[,] they [the inhabitants] are not supposed to double in less than five hundred years. In the British colonies in North America, it has been found, that they double in twenty or five and twenty years.'—Wealth of Nations, book i, chapter viii." (Parton has slight errors from First edition, vol. I, p. 86, as indicated by brackets.—T. D. E.)

[3] Smyth, *op. cit.*, vol. I, p. 136.

[4] The letter referred to is that to Lord Kames cited above (Jan. 3, 1760): Bigelow, *op. cit.*, vol. III, pp. 250-1. The word "*densest*" is italicized by Franklin.

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. . . Smith had no doubt heard of, and perhaps from, the Franklins in some of Strahan's previous letters.

Rae also gives much weight to Hume's remark in the letter of congratulations he wrote Smith upon the publication of *The Wealth of Nations:* "It is probably much improved by your last abode in London."[1] All this, however, is at best inference from circumstance, not proof.

W. A. Wetzel, in the monograph cited above,[2] includes a chapter upon the relations of Franklin with the English and Scottish thinkers of the day, in which he cites the passage from Watson's *Annals* quoted above, the Robertson dinner, and the Hume and Strahan letters, cited above. Basing his conclusions, therefore, on this evidence, Wetzel concludes (p. 52):

There can be no doubt that Smith and Franklin were acquainted with each other. But to what extent Franklin contributed to the *Wealth of Nations* it is impossible to determine. It is true that Franklin and Smith spent at least two years in London at the same time. Smith came to London in the spring of 1773 with his book, as he thought at the time, almost ready to be printed. During the next three years he made many changes, especially in the chapter on the colonies, while the passage on American wages was inserted for the first time.[3] One would naturally expect that Smith, under such circumstances, would avail himself of Franklin's accurate knowledge of colonial affairs. Franklin's estimate that in the colonies the population was doubled every twenty or twenty-five years was accepted by Smith.[4] Then, too, Franklin often had occasion to defend the colonial paper currency with his pen. No doubt he understood the nature of

[1] Rae, *op. cit.,* p. 264; Parton, *op. cit.,* p. 537 (slight variant).

[2] P. 51. I am indebted to Prof. F. N. Thorpe for calling my attention to this and one or two other sources of considerable interest.

[3] Footnotes from Wetzel: "*Vid.* John Rae, *loc. cit.,* p. 256. It is interesting to note in this connection that Franklin later, in his *Reflections on the Augmentation of Wages,* quotes from this chapter that part which he is supposed by some to have written, the portion referring to wages in the colonies. It is the only direct quotation from the *Wealth of Nations* found in all of Franklin's economic works."

[4] "*Vid. Wealth of Nations,* Book I., ch. 8, (Bohn ed.), vol. I., p. 71."—First Ed., vol. I, p. 86. *Cf.* also *Encyclopedia Britannica,* 11th Ed., Art. "Franklin".—T. D. E.

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paper money as well as any Englishman living at the time. If Smith consulted him at all, it is more than likely that he did so with reference to the chapter on money. But here at least Franklin was not very successful in causing Smith "to reverse his propositions," as Dr. Logan would have us believe. The American paper currency, which was the pride of Franklin, was characterized by Smith as "a scheme of fraudulent debtors to cheat their creditors."[1] And concerning the law forbidding the further issue of paper money in the colonies, Smith said that "no law could be more equitable than the act of Parliament so unjustly complained of in the colonies."[2] It will be remembered that it was in opposition to this law that Franklin wrote his *Remarks and Facts Relative to the American Paper Money*.[3] It may be true that Smith occasionally consulted Franklin in revising his work, but we are forced to believe that the view expressed above is very much exaggerated.

Professor F. N. Thorpe, formerly at the University of Pennsylvania, has also made a study of this subject, and states his conclusions as follows:[4]

Influence of Franklin on Adam Smith.

Among his friends in England were Adam Smith, who at the time Franklin met him was writing his classic work, The Nature and Cause [*sic*] of the Wealth of Nations, and David Hume, the well-known author of a history of England and of essays in politics and philosophy. Adam Smith, when writing his Wealth of Nations, was in the habit of bringing the chapters, as he composed them, to Franklin, to Dr. Price, and others of the literati, then patiently hearing their observations and profiting by their discussions and criticisms, sometimes rewriting whole chapters after conference and even reversing some of his propositions. Hume writes to Adam Smith in 1776: "Your work is probably much improved by your last abode in London." Parton

[1] "*Vid. Wealth of Nations,* Book II., ch. 2, (Bohn ed.), vol. I., p. 331."—First Ed., vol. I, p. 396.—T. D. E.

[2] "*Ibid.,* p. 332."—First Ed., vol. I, p. 397. wording, punctuation and capitalization slightly different.—T. D. E.

[3] "*Vid.* p. 14" (of Wetzel's monograph—T. D. E.).

[4] Franklin's Influence on Education, chap. ii of *Report of the Commissioner of Education, 1902,* Washington, 1903, vol. I, pp. 120-121. The passage is taken with only slight changes from the same writer's treatise: "Benjamin Franklin and the University of Pennsylvania," in U. S. Bureau of Education, *Circular of Information, No. 2, 1892,* Washington, 1893, pp. 99-100; *cf.* also *ibid.,* p. 135.

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has pointed out that Franklin's papers at this period "contain sets of problems and queries, as though agitated [*sic*][1] at some meeting of philosophers for particular consideration at home." All students of political economy have long known that Smith's Wealth of Nations is the first book that illustrates its propositions by examples from America. Smith was working out a new system of economics. In seeking a field for the application of his ideas it was natural that he should refer to America, a new country, as the region where they might have a practical test.[2]

. . . The book had direct reference to America, due to Franklin's influence, and was influential here long before it was influential in Europe. . . . He gave to Adam Smith apt illustrations of the utility of the ideas of the Wealth of Nations. . . . Had Franklin done no more in the world than to contribute these illustrations to Adam Smith's book, he would have had a high place among the great teachers of mankind.

No new material seems to be adduced in either of Professor Thorpe's accounts. He told the writer, however, that he had had occasion to reexamine some of Franklin's work, and that his opinion had been reinforced thereby. He had apparently depended largely upon internal circumstantial evidence, which will not hold against strong external evidence.

The secondary evidence just cited seems to the writer to be outweighed by the negative evidence.

Hirst, in his more recent but briefer biography, says: [3]

. . . Smith had another friend and counsellor for his critical chapter on the colonies and their administration. Dr. Franklin is reported to have said that "the celebrated Adam Smith when writing his *Wealth of Nations* was in the habit of bringing chapter after chapter as he composed it to himself, Dr. Price, and others of the literati"; that he would then patiently hear their observations, sometimes

[1] The word *agitated* should read "jotted down".—T. D. E.

[2] Footnote from Thorpe: "See, specially, Franklin's idea of labor as a measure of wealth, expanded by Smith in Book I, and consult index to The Wealth of Nations, title 'America,' for illustrations of Franklin's influence on Smith."—Petty long foreshadowed Franklin and Smith in this respect, as Wetzel shows (*op. cit.*, p. 30).—T. D. E.

[3] Hirst, *Adam Smith* (English Men of Letters), New York and London, 1904, pp. 161-2.

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submitting to write whole chapters anew, and even to reverse some of his propositions. Franklin's remark has probably been inaccurately reported. We know from one of Smith's letters [not cited—E.] that he had not a high opinion of Dr. Price as an economist; but Parton, Franklin's biographer, justly points to the countless colonial illustrations with which the *Wealth of Nations* abounds, and to that intimate knowledge of American conditions which Franklin was of all men the best fitted to impart. And there is internal evidence in the text itself that the important chapter on the colonies in Book IV was written, or at least considerably enlarged, in the years 1773 and 1774. Franklin's papers contained problems which seem to have been jotted down at meetings of philosophers, and no doubt Price as well as Smith would take a prominent part. At Glasgow Smith must have heard a good deal about the colonial trade: but colonial policy did not become the question of the day until after he left, and in the lectures there is nothing about the colonies. We may conjecture that the idea of devoting a large section of the book to the history and economics of colonial dominions did not strike him until after his return from France. The great debates of 1766 and of the early seventies, the intimate acquaintance with British policy and finance in large outline and in official detail, which his friendships with Burke and Franklin, with Oswald, Pulteney, and Shelburne, helped him to acquire, . . . conspired to make colonial policy and imperial expenditure large and imposing themes in the *Wealth of Nations*.

It would be easy to extend the negative evidence. A prisoner once objected because the judge took the word of one man who saw him commit the crime, when he, the prisoner, could bring a dozen who had not. In the absence of positive evidence, however, there are certain sources in which one would expect to find evidence if the contacts were important, and in which the absence of such evidence is itself in the nature of evidence. Such are the lives or memoirs of Lord Shelburne,[1] Governor Pownall,[2] L'Abbé Morellet,[3] Josiah Quincy,

[1] *Life of William, Earl of Shelburne,* . . . by Lord [Edmond] Fitzmaurice, 2 vols., Second and Revised Ed., London, 1912. Shelburne was an exponent of Smith's doctrines and friendly to Franklin, but does not connect them.

[2] *Thomas Pownall,* . . . by Charles A. W. Pownall, London, 1908. Pownall knew Franklin well, and differed with Smith's doctrines.

[3] *Mémoires de l'Abbé Morellet,* Paris, 1821. Morellet was in England and met Franklin in 1772, when Smith was at Kirkcaldy (chap. ix).

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Jr.,[1] Samuel Johnson,[2] Richard Price,[3] Joseph Priestley,[4] Lord Kames,[5] and Dr. John Fothergill.[6] Monroe's *Early Economtc Thought*,[7] a series of selections prior to Adam Smith, omits Franklin.

Neither *The Gentleman's Magazine* nor *The Annual Register* seems to contain any reference to the relationship, though the references to each are many; in fact additions to the obituaries of the two men appear upon the same page of *The Gentleman's Magazine!*[8] Nichols' *Literary Anecdotes*[9] also fail to yield anything.

There is no extant correspondence between the two men, though Franklin was a voluminous letter-writer, and exchanged many letters with others of the group. If there had been a correspondence we should probably have some trace of it. That there was not, is probably due to Smith's aversion to writing letters, noted by Rae.[10]

Not a single personal mention of Adam Smith nor of *The Wealth of Nations* was found in any of Franklin's extant

[1] *Memoir of the Life of Josiah Quincy Jun. of Massachusetts:* by his son, Josiah Quincy, Boston, 1825 (First Ed.), Quincy was of Franklin's group in London during the year 1774, when Smith was in London revising his work; and he is usually detailed in naming the guests at various gatherings. Smith's name does not appear.

[2] Boswell, *The Life of Samuel Johnson, LL.D.,* (Library of English Classics) London, 1922.

[3] *Memoirs of the Life of the Rev. Richard Price, D.D. F.R.S.,* by William Morgan, F.R.S., London, 1815.

[4] *Memoirs of Dr. Joseph Priestley,* . . . by himself . . . by his son . . . London, 1806.

[5] *Memoirs, of the Life and Writings of the Honorable Henry Howe of Kames,* . . . by . . . Alex. Fraser Tytler. This work contains nothing bearing on Franklin's relations with Smith.

[6] *Dr. John Fothergill and His Friends* by R. Hingston Fox, M.D., London, 1919.

[7] Cambridge, 1924.

[8] *The Gentleman's Magazine and Historical Chronicle,* vol. LX (1790), p. 761.

[9] *Literary Anecdotes of the Eighteenth Century* . . . by John Nichols, F.S.A., London, 1815.

[10] Rae, *op. cit.,* pp. 240, 280.

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letters or writings, even in the letters to Strahan, Pringle, Kames, or Hume;[1] nor has any personal reference to Smith been discovered in his letters about his trips to Scotland, on one of which he met Smith.

There is only one quotation from Smith in Franklin,[2] and that is long after 1776, and does not seem to bear upon their acquaintance.

The only other direct connection would be through such pamphlets as Franklin published.

Adam Smith's library, so far as listed by Bonar, contained only a small essay by Franklin, and that on electricity. Bonar's "Catalogue includes a great part of Adam Smith's library."[3] Bonar seems to have gone through Smith's works for references bearing upon books or authors in his library, and he finds only one to Franklin: "The only reference to Franklin is about the propagation of sound. . . . (*Essay on the External Senses*, p. 215)."[4]

The letter to Strahan (April 4, 1760) is the only personal mention of Franklin by Smith so far located.

Parton claims, without giving evidence, that a tract on the Peopling of New Countries (1751, 1755) which appeared in the *Annual Register* for 1760,[4] must have been seen by Smith, because the doctrines expressed are similar. This is rather weak. For the rest, it is conjecture. We might say the same about the tracts on *The Laboring Poor*, *The Prussian Edict*, *Rules for Reducing a Great Empire to a Small One* etc., or we might deny it. It is not unlikely he saw some of them. It is not likely that, by the time he got to London, he

[1] These men, particularly Hume, were dear friends of Smith. Kames had been his patron in 1748-50.

[2] Wetzel, *op. cit.*, chap. IX, footnotes, cites this quotation from *The Wealth of Nations* in Franklin's paper on *The Augmentation of Wages* (pp. 52). *The Wealth of Nations*, First Ed., Book I, viii, p. 85. (Bigelow gives incorrect reference.)

[3] *A Catalogue of the Library of Adam Smith*. . . . Edited with an Introduction by James Bonar, London, 1894, pp. viii, 41.

[4] Parton, *op. cit.*, p. 418. See Smyth, *op. cit.*, III, p. 63; *Annual Register* (1760), Fifth Ed., London, 1775, vol. III, p. 191.

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could gain much in theory from them. The tracts themselves, though brilliant politically, are full of fallacies and special pleading, of which Franklin was occasionally guilty when not in scientific mood.

A glance at the index of the *Wealth of Nations* will also suffice to show no mention of Franklin. Smith seems to have been in the habit of giving credit where such credit was due. It is only because of this that we know that "Smith always obtained a great deal of his information from the conversation of competent men." A Scottish biographer, however, made the following comment: " . . . few, I believe, have studied Mr. Smith's works, (particularly his Inquiry into the Nature and Causes of the Wealth of Nations,) without regretting, on some occasions, the omission of his authorities." [1]

There remains such indirect influence as may have come to Smith from Franklin through the intercourse of the latter with the *Économistes*, with Lord Kames, Hume, and others. This, like the alleged direct contacts, is largely a matter of likelihood.

In another connection, Parton himself writes: [2]

> With regard to the striking similarity of his pamphlet [*A Modest Enquiry into the Nature and Necessity of a Paper Currency*, Philadelphia, 1729 [3]], in tone and method, to some passages of the "Wealth of Nations," [4] we are to remember, that Adam Smith, like all other writers of the first rank, inherited vast accumulations of truth, as well as vast accumulations of error. . . . A single mind can no more produce a book of the first order than a single architect, in the infancy of the race, could have built St. Peters. . . . There is no reason to suppose that Adam Smith ever saw Franklin's pamphlet. The similarity that has excited so much surprise, is owing simply to the fact, that Franklin had read Locke's essays upon Interest and the Value of Money, Defoe's works, and other writings of that day, which made approaches to the great truths afterwards systematized and demonstrated by Smith.

[1] *Account of the Life and Writings of William Robertson* (no author), London, 1801, p. 98.

[2] *Op. cit.*, vol. I, pp. 187-8.

[3] See Smyth, *op. cit.*, vol. II, pp. 133-155.

[4] Cf. Book I, iv, v.

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IV

Dr. Patten claimed that the book brought down to London in 1773 was not *The Wealth of Nations* as we know it, but Adam Smith's promised book on Politics, which was then revamped through the influence of Franklin to become *The Wealth of Nations*.[1] While possible, the theory is improbable. The Abbé Morellet[2] who had known Smith in France in 1762 when Smith spoke French badly, mentions conversations with Smith: "*nous parlâmes théorie commerciale, banque . . . et de plusieurs points du grand ouvrage qu'il méditait.*" These are not political subjects. Morellet would have noted the change in plan in his *Mémoires*, if any had been made, for he later translated Smith's work. This is not conclusive; however, it indicates that the turning point, if there was one, came from the Physiocrats rather than from later influences. Their influence on "the book" is obvious and undoubted. Rae himself says, referring in this case to Smith and Turgot (p. 203):

> Questions of literary obligation are often difficult to settle. Two contemporary thinkers, dealing with the same subject under the same general influences and tendencies of the time, may think nearly alike even without any manner of personal intercommunication, and the idea of natural liberty of trade, in which the main resemblance between the writers . . . is supposed to occur, was already in the ground, and sprouting up here and there before either of them wrote at all.

This statement is probably equally true between Franklin and Smith.

In 1769, Smith writes to Lord Hailes, asking for information in regard to the "prices of provisions in former times"—certainly not political. He also discusses the Acts of James I,

[1] In what follows the writer does not attempt to involve himself in problems of the development of Adam Smith's thought, but only to define Franklin's relation to that development. The argument is equally valid, for example, whether Smith revised the first part or the last part of his work in London, during 1773-6.

[2] *Op. cit.*, p. 237. Also quoted by Rae (*op. cit.*, p. 201), in translation: "the theory of commerce, banking, public credit, and various points in the great work which Smith was then meditating."

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which might be taken as part of the material for a book on Politics. He might, however, still have been doing some work along this line, with a view to future publication, and yet have been chiefly engaged in economic research.[1]

His next letter to Hailes[2] refers to the price of silver, again an economic subject. If any change was made in the plan of the book, it seems to the writer that it must have been made in 1772, for Smith writes in September to Pulteney, as follows:[3]

> In the Book which I am now preparing for the press I have treated fully and distinctly of every part of the subject which you have recommended to me; and I intended to send you some extracts from it; but upon looking them over I find that they are *too much interwoven with other parts of the work to be easily separated* from it. I have the same opinion of Sir James Stewart's book that you have. *Without once mentioning it*, I flatter myself that *any fallacious principle in it will meet with a clear and distinct confutation in mine.*[4]

The book mentioned is, according to Rae, Steuart's *Inquiry into the Principles of Political Œconomy*, published in 1767. Steuart wrote no book on Politics. The first part of his book treats of population and some political questions, and there is a section on taxation; these are his nearest approaches on the subject.

In 1773, Adam Ferguson, the Scottish philosopher, says in a footnote:[5] "The public will probably soon be furnished (by Mr. Smith, author of the *Theory of Moral Sentiments*) with a theory of national economy," etc. This remark does not appear in earlier editions of Ferguson's book, and it is not clear whether it comes before or after Smith left Scotland for London. If there had been a radical change of plan at this date, however, he would not be likely to say "soon," nor would he be likely to hear of it while in Scotland. The footnote

[1] Rae, *ibid.*, pp. 247-8.

[2] Cited by Rae, *ibid.*, p. 249.

[3] Rae, *ibid.*, p. 253.

[4] The italics are mine.—T. D. E.

[5] Quoted by Rae, *ibid.*, p. 264.

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itself was probably written some months before it was printed, and Smith was in London by spring. "National economy" sounds more like "Wealth of Nations" than like "Political Philosophy."

Rae's remark[1] that "Whole chapters seem to have been put through the forge afresh" seems to be based only on Watson's quotations and on Hume's and others' accounts, together with internal evidence. In short, aside from Watson's statements, there seems to be no reason for thinking that the changes made in 1773–5 were so radical, nor for believing that anything but information and illustrative material were elicited from Franklin.

Franklin had at first advocated consolidation, and did not grudge even the thought of a shift of centre of gravity of the Empire. Later he advocated imperial federation under the king, with separate legislatures, and finally he advocated separation. In *The Wealth of Nations*, Smith advocates Franklin's first plan, rather than the views the latter was proposing at the 1773 period.

Had Franklin attempted to influence him at all, it would have been on this point; yet it is this point at which they differ radically. Throughout the chapter on Colonies, moreover, Smith never fails to emphasize the superiority of even England's poor policy over that of other states. He stresses the failure of the colonies to defend themselves and to help the mother-country; a point which never failed to rouse the ire of Franklin, and which he always boldly refuted. There are many Britocentric passages quite foreign to Franklin's spirit (e. g., Rae, p. 283); and there is probably too much economic material to have been collected in three years if the whole purpose had changed in 1773. The chapter on Colonies, composed as it was at the climax of the struggle in London, bears strong traces of political purpose, but not of Franklin's hand or mind. While the name of the book itself is never mentioned previous to publication, it is doubtful if the evidence warrants a verdict that it was ever changed. The title may have been formulated just before publication.

[1] *Ibid.*, p. 264.

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As for Franklin's visiting Smith at Kirkcaldy in 1775, it is impossible. In a letter to his son, dated March 22,[1] Franklin gives us a detailed account of his last three months prior to sailing for Philadelphia; and as Smith was in London, during January and February,[2] there is no reason to suppose that the two men met at Kirkcaldy.

It is not at all unlikely, as Dr. Patten held, that extensive changes were indeed made in Smith's work in London; for the book shows signs of haste. But the above evidence shows, in the writer's opinion, that the changes must have been in theory and arrangement rather than in subject; that the colonial theory differs from Franklin's; and that Franklin (quite apart from external evidence) would not have influenced the other doctrines.

Upon this Scotch economist, accused of Americanism, the writer delivers a Scotch verdict: "Not proven."

It is indeed amazing and regrettable that these two men did not come to know each other better. It was probably no fault of the genial Franklin.[3] Can it be ascribed possibly, to Smith's dread of plagiarism?[4] It is said he was reticent if he feared it,[5] and Franklin was constantly writing pamphlets in Smith's own field. But the same puzzle might be equally pertinent in the case of Watt and Franklin, or of Hume and Franklin. Chance is more likely to explain it, as it doubtless explains the failure of many of today's great men to cross paths and exchange ideas, though often together in the same city.

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[1] Smyth, *op. cit.*, vol. VI, p. 318.

[2] Rae, *op. cit.*, p. 280.

[3] Unless, indeed, one speculates on the bare possibility that his recent antagonistic experiences with another Smith (William Smith of Pennsylvania) may have, more or less unconsciously, turned him from Adam!

[4] *Cf.* Rae, *op. cit.*, p. 269.

[5] Cf. also reference above in the memoirs of Robertson.

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WAGE POLICIES AND NATIONAL PRODUCTIVITY

THERE has been some recent discussion arising from the attempt of critics of our present industrial system to demonstrate that average real wages for approximately the last twenty-five years have not kept pace with the *per capita* increase in national productivity. Specifically the claim has been made that for the twenty years between 1899 and 1919 there was practically no increase in annual real wages in this country, and that between 1899 and 1922 we have had only a 5% increase in the *per capita* purchasing power of factory wages to compare with a 30% increase in *per capita* production in all basic productive goods and commodities including agricultural produce.[1]

Now, in the absence of further explanation, these figures, assuming their rough accuracy, doubtless would cause some concern to any socially-minded individual who examines them casually. For one of the tests of the success of our present industrial system, and indeed of our civilization, is whether there has been a real improvement in the economic condition of the great mass of our laboring population. It is appropriate, therefore, to point out several considerations that should be kept in mind in any interpretation of these figures.

In the first place, it should be emphasized that the fact that there has been practically no increase in *average* real wages in the past twenty-five years in this country does not necessarily mean (as has been hinted by those who initiated this discussion[2]) that the condition of the laboring group has not improved. In view of the large immigration that took place during these years *average* real wages may have remained stationary and in fact may have slightly decreased without indicating that the

[1] *See The Labor Bureau Economic News Letter,* Sept., 1923. Published by The Labor Bureau, Inc., N. Y. C. "The Productivity Factor in Wage Determinations", by George Soule, in *The American Economic Review,* Supplement, March, 1923, p. 129.

[2] See *The American Economic Review,* Supplement, March, 1923, p. 140.

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economic status of the wage-earners has deteriorated. For we must keep in mind that the immigrant's living conditions may have been, and probably were, far worse abroad. Their living conditions in this country may have improved over their living conditions in their home country; their real wages may have increased over those earned in their homeland and the real wages of the American-born workers and of earlier immigrants may also have increased; and yet average real wages in this country during that same period may have actually decreased. For when we compare *average* real wages of our laboring population we are, of course, discussing the wages of those workers living in this country on the particular dates used in the comparison. A large number of the lower-paid group of wage workers were resident in this country on the later date who were still abroad on the earlier date.

In the second place, the very brevity of the period studied is apt to mislead us in studying the economic status of the workman. Anyone who studies the curve prepared by Mr. Rorty of hourly real wages in the United States from 1860 to 1920, or the curve prepared by Mr. H. O. Meredith of variations in the amount of wheat purchasable with the daily wages of English carpenters and agricultural laborers from 1270 to 1890, must be impressed with the fact that there has been a dramatic improvement in the status of the individual workman since the beginning of the industrial revolution. As Professor Seager says, "The real earnings of the manual laboring class are larger than at any previous stage in the world's history."[1]

In a twenty-year period the fluctuations between different groups, such as industrial and agricultural workers, may obscure the true nature of this picture.

There is a constant swing between that portion of the increased productivity which goes to the agricultural group and that which goes to the industrial group. An analysis of what has occurred in the two decades between 1899 and 1919 indicates that the larger portion of the increase in national productivity that did not go to increase real factory wages went to the

[1] *Principles of Economics*, p. 313.

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agriculturalists.[1] The swing seems to be the other way at present. Comparing the averages of the first seven months of the year 1923 with the averages for the year 1919, *per capita* production in the United States including agriculture has increased 16.7%, production per wage-earner 14.8%, and real wages in factories 27.8%.[2] It would seem as if the problem of distribution during certain periods at least were not so much a question of distribution between profits and wages as between industry and agriculture.[3]

It is also true that the improvement in wage purchasing power cannot be measured merely in terms of the particular kind of purchasing power that has been currently used in determining so-called real wages—namely, units of food, housing and other staples. There are many things and services that wages can buy now that they could not buy formerly and the quality and serviceability of what they buy is in many cases greatly superior. We are here dealing with what modern economists call "psychic income" which is not statistically determinable.

For example, there is no way of measuring the improved units of transportation of a Ford car over the horse and buggy of thirty years ago—and yet they each cost approximately the

[1] In spite of a larger plant investment, the percentage that went to profits, interest, depreciation, rent etc., did not increase.

[2] *Labor Bureau Economic News Letter,* Sept. 1923, p. 2. Published by The Labor Bureau, Inc,, N. Y.

[3] It is interesting to compare the following quotation from Mr. Soule's paper (*American Economic Review,* Supplement, March, 1923, pp. 135-137): "Both the Marxian and classical economists, having in mind the great increase in productive capital, might expect to see the share of profits and interest enlarged. The census figures, however, seem to prove that this is not the case, at least to any great degree. . . . From these figures it is difficult to avoid the conclusion that the per-capita real income of those engaged in agriculture rose so rapidly between 1899 and 1919 as to absorb most of the increment to national production which, as we have seen, was not shared by factory workers," with the following from an article, *Are Wages Too High,* by Basil M. Manly, published in 1922 by The People's Legislative Service, Washington, D. C., "American labor has been consistently deprived of its fair share in the ever-increasing productivity of the nation's industries. . . . And it is out of this constant underpayment of labor that a large part of the great private fortunes and the huge surpluses of American corporations have been created."

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same number of money dollars. Thermos bottles to keep the workingman's lunch warm are purchasable for very little more than the old coffee pail and are extensively used. The brilliant nitrogen bulb costs little more than a kerosene lamp chimney. There is no statistical method of measuring in these instances and in countless other instances the real improvement in purchasable values. There are many entirely new modern conveniences such as these purchasable for comparatively small sums.[1] These conveniences were formerly non-existent, and therefore cannot be included in the statistical practice in "stepping down" money wages to real wages. The shortening of hours is also a psychic income that cannot be measured.

However, the great improvement in the condition of the ordinary workman since the industrial revolution should not blind us to the fact that many of our fellow-citizens are far from having a comfortable living judged by our present standards, nor should it blind us to the fact that there is a vast amount of improvement that is still needed and no doubt possible.

There is a general agreement among students of economic conditions that we can attain this end by a larger national production. The demonstration, in the curves above mentioned, of the tremendous increase in real wages paid to the ordinary wage earner since the industrial revolution, indicates that in civilized communities the Malthusian theory that population will overtake production has not yet operated, whatever may be in store for us in the future.[2]

And it is encouraging to find that the more enlightened industrialists (and their number is gradually though all too slowly increasing), are interested no longer in private profit alone, but are becoming interested in making a success of the

[1] A few instances are such devices as the telephone, movies, radio, steam heat, the phonograph, the economic distribution of goods by mail-order houses and chain stores, the educational value of low-priced magazines as *The Saturday Evening Post,* the correspondence schools and the Chautauqua.

[2] Edward M. East, *Mankind at the Crossroads* (Charles Scribners' Sons, N. Y.); J. M. Keynes, "Is Britain Overpopulated?", *New Republic,* Oct. 31, 1923; Alvin Johnson, "Are we in Danger of Overpopulation?", *New Republic,* Nov. 21, 1923.

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system in which they play so prominent a part. This group of industrialists is coming to realize that the achievements of the system are measurable largely in terms of the real wages that are paid to wage-earners, and is, therefore, joining with others interested in these matters in focusing attention upon the possibility of accelerating the rate of increase of national production as a means of bringing about an increase in real wages.

Now, studies of the annual production of essential commodities in this country for the last forty years indicate that production in any one year has increased by about eighty per cent over the annual production twenty years earlier and has trebled over the forty-year period.

However, despite the claim of some economic observers that there exists a sort of fatalistic steadiness in the rate of increase of production, a study of the graphs of this rate of increase does not bear out any such theory. There has been considerable variation in the rate of increase that occurred during particular years, and there has also been considerable variation among periods of ten years. In any event, there is nothing to suggest that the rate of increase in production cannot be accelerated or retarded, as the case may be, by the particular kind of economic practices that are followed over a series of years. What happens to be the *average* rate of increase over a series of years is not necessarily preordained.

Although economic movements are often the result of the interaction of antecedent economic forces, the ultimate organizing forces are human beings. It is human beings, not some mysterious economic gods, that by controlling underlying causes, whether they be economic wastes or bad currency systems, have demonstrated that they can modify and mitigate economic phenonema—economic phenomena heretofore considered predestined. There is absolutely no warrant for pronouncing "a doom of automatism."[1] By analyzing economic movements we can consciously control, and in fact have in the past consciously controlled, their interplay so as to stabilize and increase production.

[1] Walter Lippman, *Public Opinion* (Harcourt, Brace & Co., N. Y.), p. 189.

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We are all familiar with some of the proposals for increasing the national productivity. First of all, there are those which would do away with wasteful practices in industry. Industrial waste has been stressed as a serious brake on the maximum possible national income. The necessity of the elimination of these practices has been stressed by a committee of the Federated Engineering Societies. And there has been much emphasis on the necessity of a more uniform adoption of the best managerial practices. Secondly, we have our financial problems. In the field of finance, it has been urged that a better system of money and credit control will aid to steady industry and thus to increase production. The establishment of the Federal Reserve System has already demonstrated that monetary panics can be prevented by human ingenuity. The installation of this system has had its effect on industry and should dispel any theory that there is a fatality in the rate of increase of production which cannot be controlled by consciously adopted human policies.

However, one field has not been sufficiently explored—one that has unfortunately been peculiarly controversial. How far can a general wage policy (leaving aside any question of disparities between different wage groups) affect productivity?[1] We are, of course, familiar with the argument that there is just so much national production and just so many laborers, and as only a comparatively small proportion of the national income goes to capital and management, to raise money wages is not to raise real wages but merely to increase prices. This is all too true during certain periods, particularly periods of inflation. But we must remember that industrial activities are dynamic processes. There is no more place here than elsewhere for a rigid economic fatalism. A wage policy, no doubt, under certain circumstances may be a cause of a change of conditions as well as an effect of conditions. For example, the total amount paid as wages may have a marked effect on the consuming

[1] There has been considerable economic discussion on the "Economy of High Wages", but it has principally dealt with the direct effect of high wages on the personal efficiency of the wage-earner and not with his position as consumer or with the dynamics of the cycle of production and consumption. See J. A. Hobson, *Economics of Unemployment* (Macmillan Co., N. Y.), p. 88.

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power of the wage-earner and thus on the circuit velocity of money.[1] Thus, the particular wage policy generally adopted by employers at a particular time may have an effect in accelerating or retarding the rate of increase in national productivity. While a readjustment downward in wages during the period of depression of a business cycle may be a healthy and salutary procedure, it is quite possible, and indeed likely, that too drastic cuts may have the effect of prolonging, instead of shortening the period of depression.[2] It is a question of degree.

Thus the conventional type of "hard-boiled" employers' propaganda for drastic wage cuts, usually circulated during such a period, may do more harm than good. As has been pointed out elsewhere by the writer,[3] by not making too drastic cuts in such a period employers may possibly challenge themselves to a greater managerial efficiency and thus a greater *per capita* productivity. Those of us who are in active business know what possibilities there are in this direction when "necessity, the mother of invention" is a driving force.[4] In the practical operation of our economic system, which after all is propelled by human not mechanical forces, the maintenance of wages at a certain level may serve as a sort of "bogey", to use a golfing term, for the productive system to meet.[5]

But we are here largely in the uncharted seas of speculation and it will probably be difficult, certainly for some time to come, to secure definite statistical proofs of the advantage or disad-

[1] Foster and Catchings, *Money* (Houghton, Mifflin & Co., N. Y.), p. 315. These considerations are particularly important in an economic community, which, like the United States, is comparatively self-contained.

[2] Foster and Catchings, *Money,* pp. 289, 315.

[3] "The Living Wage and the National Income", POLITICAL SCIENCE QUARTERLY, vol. XXXVIII, No. 2, p. 219 *et seq.*

[4] In a paper read before the American Economic Association last March, Professor Hansen, though arriving at general conclusions radically different from the present writer's, said, "Squeezed between a declining secular trend in prices and an unyielding wage level, the employer is forced to buckle down to the job of making industry efficient enough to carry the load of high wages." *The American Economic Review,* Supplement, Mar. 1923, p. 42.

[5] "The Living Wage and the National Income", POLITICAL SCIENCE QUARTERLY, *loc. cit.* As was pointed out there, it might be a healthy procedure in wage determinations to add to index numbers of *per capita* productivity a certain percentage as a "load" to discount possible future additional productivity.

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vantage of any particular wage policy at any particular period. The subject does not easily lend itself to the statistical method. In any event, employers who must act and make decisions in the present cannot await whatever statistical data becomes available for this purpose. They are forced, therefore, to adopt some tentative policy, based on a general intuitive estimate of the facts.

Each employer is guided by what he thinks is his self-interest, but each one has a different method of determining what is in accord with his self-interest.[1] To use logical terms, there will be different points of departure and methods of approach among employers in deciding what is their self-interest in this matter.

The problem may be viewed by the employer, first, from the short-time consideration of the effect of the particular wage cut or raise, as the case may be, on his profits and on the morale of his men; second, from the longer-time consideration of the general effect of his particular action with that of others on the general consuming public; and, third, it may be viewed from a long-range consideration of its effect upon the future operation of our productive system.

Each employer is more or less affected by propaganda in balancing such considerations, in determining the probable effect to be expected in each case, and also in determining whether he will be influenced by long or by short-time considerations. Aside from narrower considerations, he is guided somewhat by public sentiment but more particularly by the general sentiment among his fellow-employers. So if there is a generally expressed opinion at any particular time that a drastic or moderate cut or raise is advisable, he is apt to follow that advice. He is likely to do the sort of thing that is being done.

Each employer must make a decision both as to his own particular policy and as to the policy he shall recommend to others. Our own point of view is that the choice of such a policy should be guided primarily by the long-time consideration as to its probable effect upon the future operation of our productive system.

[1] Walter Lippman, *Public Opinion*, pp. 184, 185.

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Adopting such a long-range method of approach there would seem to be no place for class antagonism. The problem of distribution which has so often been staged as a drama with labor and capital as the conflicting characters, turns out to be largely the prosaic task of using wage policies to increase national productivity. Employers who approach this problem from a wide perspective should realize that doctrines as to the economic wisdom of at all times driving a hard bargain with labor may be the inheritance of erroneous wage theories of the past. They should also be alive to the fact that these theories were probably rationalizations of unreasoning psychological attitudes—attitudes which aside from the question of their soundness at the beginning of the industrial revolution are inappropriate to modern large-scale industry. Employers in this country should therefore not allow themselves to be bound by mere tradition but should be guided by their own interpretation of the history of the past and by their common sense. The history of low-wage countries,[1] the history of what happened to England when she adopted an illiberal policy, the history of this country with its high *per capita* production, following on a courageous course of paying high money wages, points to the avoidance of a niggardly spirit in the matter of general wage policies.[2] Employers must avoid the disastrous policy of general wage inflation during boom periods, but during other periods, aside from any humanitarian consideration, what we know of economic history should impel them to lean on the liberal side.

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[1] One observer who made extensive study of conditions in various countries has said: "The survival of the fittest is, therefore, so to speak, the result of a high wage rate. . . . The lower the rate of living, the lower I always found the industrial development of the country."—Schoenhof, *The Economy of High Wages* (Putnam's Sons, N. Y.), p. 39.

[2] The problem of disparities between wages in different industries not justified by skill, risk or geography presents an entirely different problem. Such disparities should be avoided at all times.

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COMPARATIVE TAX BURDENS IN THE TWENTIETH CENTURY

THE question of the relative weight of taxation has of recent years attracted much attention. It cannot be said, however, that any satisfactory answer has thus far been given. It is the purpose of the present paper to attempt such an answer, confining our attention to the United Kingdom, France, Germany and the United States.

In order to lead up to our conclusions, it will be necessary to present the facts as to the revenues from taxation. From that point of view it seems desirable to divide the subject into three periods: from the beginning of the century to the World War, the War years, and the *post-bellum* period.[1]

[1] The statistics in this article are not strictly comparable because of the varying fiscal years. The fiscal year in France is the calendar year; in Great Britain and Germany it ends on March 31st; in the United States on June 30th. Furthermore, the official statistics in Germany are for the year beginning, in the United States for the year ending, on the given date. Accordingly, the year 1913 means in Germany the year beginning April 1st, 1913; but in the United States the year ending June 30th, 1913. In the official statistics of the United Kingdom both years are generally mentioned, so that in the above case it would read 1913-1914. Occasionally, however, only one date is given, so that what would be 1913 in Germany would be called 1914 in Great Britain. Accordingly, for purposes of the comparative tables below, p. 139, we mean the fiscal years of the United Kingdom and the United States ending respectively on March 31st and June 30th of 1901, 1914, 1919 and 1922, but the fiscal year beginning April 1st, 1900, 1913, 1918 and 1921 in Germany, and the calendar year 1900, 1913, 1918 and 1921 in France.

In the state and local statistics in the United States the situation is also confusing. The Census of 1903 and of 1913 as well as the annual Statistics of States and Cities use the fiscal year ending June 30th, or the first fiscal period closing prior thereto. The Census of 1923, however, uses the calendar year 1922 for state and local statistics, but utilizes the fiscal year for federal statistics. As a result of all these discrepancies, the international comparisons can be only approximately correct.

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ERRATUM SLIP

Attention is called to the following important corrections in the article on "Comparative Tax Burdens in the Twentieth Century".

Page 139, second table, last line, Germany:
For 8.81 read 9.19

Page 141, line 12:
For 342, read 34,200

Page 142, table, last line, last column:
For mk. 25 = $5.95 $99 read mk. 65 = $15.47 $256

Page 143, table should read:

	1900–1901	*1913–1914*	*1918–1919*
United States	7.76	6.68	10.03
United Kingdom	9.99	11.29	23.93
France	14.96	14.11	12.44
Germany	7.99	10.51	17.42

Page 144, lines 10 to 12 should read:
"burden was heaviest in the United Kingdom where it had a little more than doubled, considerably less in Germany where it had increased about two-thirds, much lighter in France where it"

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I

The Situation in 1900

United Kingdom. The revenues for the year 1900–01 were as follows, in thousands of £:[1]

Customs	26,489	House duty	1,720
Excise	38,335	Income tax	26,920
Death duties	17,195		
Stamps	7,825	Total tax revenues	119,302
Land tax	755	Total all revenues	140,124

The local revenues (exclusive of loans) amounted to 135 millions. Of this total, however, there are to be classed as taxation only the rates (51 millions) and the so-called tolls, dues and duties (5¼ millions)[2] or a total of some 56 millions. The other local revenues were derived from governmental contributions, the earnings of municipal monopolies, loans and miscellaneous sources. It appears, therefore, that the total tax revenue of the United Kingdom in 1901 was about £175 millions.

France. The four direct taxes were the *contribution foncière* or real estate tax; the *contribution personnelle et mobilière*, a combination of a rentals with a head tax; the tax on doors and windows; and the *contribution des patentes* or business tax.[3] In the same category were the so-called assimilated revenues

[1] *Statistical Abstract for the United Kingdom,* 58th number, 1911, p. 2.

[2] *Ibid.*, p. 52. The so-called "tolls, dues and duties" are in part fees, but in larger part taxes, and should properly be included in the local tax revenues, as is recognized by Grice, *National and Local Finance,* p. 29. The failure to do this in not a few published reports renders the comparative figures inexact. The details of the "dues and duties" are found in Goschen's *Report on Local Taxation,* 1868, H. H. Fowler's *Report on Local Taxation,* 1893, and the *Report of the Departmental Committee on Local Taxation,* 1914. Among these dues and duties are the market dues, harbor dues, turnpike tolls, pilotage and light dues, city coal duty, local wine duty, license duties on automobiles, grain duty, dues for bridges and ferries, waterworks, piers and quays, sewerage works and other tolls and stallages. The fees are listed separately.

[3] The French statistics are taken from the following sources: *Bulletin de statistique et de législation comparée,* Ministère des Finances, monthly (quoted hereafter as *Bulletin*); *Journal officiel de la République Française,* daily; *La France financière et économique,* Ministère des Finances, Tome I, 1919, covering the years 1872-1913 (quoted hereafter as *La France financière*).

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(taxes assimilées aux contributions directes) which comprise a miscellaneous series of taxes and fees.[1] The indirect revenues *(impôts et revenus indirects)* comprise customs duties; taxes on transactions, including the registration of documents *(enregistrement)* and stamp taxes *(timbre)*; the stock-exchange tax; the tax on securities *(impôt sur le revenu des valeurs mobilières)*; and the so-called indirect taxes *(contributions indirectes)*. These include taxes on spirituous and malt liquors, salt, vinegar, candles and playing-cards. The taxes on sugar, however, are separately listed. As will be seen from the table below, the revenue from the direct taxes in 1900 was about 524 million francs, while the indirect revenues amounted to 2,136 millions.

It must be borne in mind that the inheritance tax which in other countries figures as a direct tax is classed in France among the indirect revenues or registry taxes. On the other hand, the revenues from tobacco, matches and powder which in other countries form part of the indirect taxes are classed in France among the monopolies. In the table herewith will be found the figures for 1900 in millions of francs.[2]

Direct revenues	524	Sugar taxes	184
Direct taxes	484	Monopolies	746
Assimilated revenues	40	Post Office	270
Indirect revenues	2,136	Public domain	81
Registry taxes	573	Miscellaneous* and exceptional†	140
Stamps and stock-exchange	184	Recettes d'ordre‡	157
Tax on securities	79	Algiers	62
Customs	449		
Indirect taxes	668	Total	3,815

[1] Taxes on carriages, horses, mules, billiards and clubs; fees on goods in mortmain; mining rents; payments for the verification of weights, measures and alcohol meters; and charges for pharmacists' visits, factory inspection, and fraud repression.

[2] *La France financière*. Tome I, 1919, pp. 232-236.

* These include patent fees, repayments by localities for advances, and contributions for the construction of local roads and school-houses.

† These include indemnities, profits in the exposition of 1900, sale of surplus military material, and the like.

‡ These include university fees, fines, sums held back for pensions from official salaries, repayments by the railways for loans and guarantees, and contributions from the colonies toward military expenses.

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It will be seen that in 1900 (which corresponds approximately to 1901 in the United Kingdom) the tax revenues including the fiscal monopolies[1] amounted to about 3,100 million francs, out of a total revenue of 3,815 millions. As to the local tax revenues there exist unfortunately no satisfactory statistics which show the exact division between taxes and other local revenues. However, we know[2] that in 1900, when the departmental revenue amounted to 317 millions of francs, about 189 millions consisted of the *centimes additionnels* or percentages added to the four direct state taxes. The rest came from a share of the state taxes on turnovers and automobiles, tolls, the public domain, and grants from the central government. The total communal receipts in 1900 amounted to 794 millions, of which the municipal customs duties *(octrois)* were 324 millions, the remainder being composed in large part of *centimes additionnels* (210 millions), together with a share of the turnover tax and of some of the *taxes assimilées*.[3] The so-called *taxes municipales* are not included because they are not taxes.[4] The total tax burden, national and local, therefore, amounted in 1900 approximately to 3,900 million francs.

Germany. The German situation is analogous to that of the United States, inasmuch as we have to deal with both federal and state governments. In both countries, the federal government depended chiefly upon customs duties and excises. There was, however, one important difference. Since the cus-

[1] Strictly speaking only the net returns of the fiscal monopolies ought to be included in the tax revenue. But the same objection applies to all the tax figures where no allowance is made for cost of collection. As our purpose is to ascertain the tax burden, it is legitimate to take the gross returns of the monopolies like the gross tax returns. The postal revenues are not included, partly because they are generally counter-balanced by the expenses, partly because in no other country are they comprised among the taxes.

[2] *Ibid.*, pp. 318-335.

[3] *Ibid.*, pp. 41, 330.

[4] The French *taxes* means fees and charges, not taxes. The term is rarely applied to veritable taxes. But the *taxes municipales* are almost entirely fees and charges. They comprise: *taxes de voirie (taxe de balayage, droits de place, permis de stationnement), redevances pour concession d'occupation, droits de pesage et de mesurage, concessions dans les cimetières. Cf.* Allix, *Traité élémentaire de science des finances,* 4th ed., Paris, 1921, p. 823.

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toms and excises were inadequate, it was provided at the creation of the German Empire that, until the federal government should levy independent taxes, the expenses should be met by contributions from the states *(Matricular-Beiträge)* similar to the American requisitions levied from 1781 to 1789.[1] After 1879, however, the federal receipts exceeded the expenditures and the excess over 130 million marks was now allotted to the states; the contributions being set off against the allotments *(Ueberweisungen)* or federal grants. By the end of the century, however, the increasing expenditures, especially for armaments, changed the surpluses into deficits, and the states had now again to make contributions to the Empire.[2]

In the table appended will be found a statement of the federal revenues for 1900 and 1901,[3]

In thousand marks	1900	1901
Customs	465,797	494,388
Consumption taxes	340,716	321,980
Stamp taxes	80,362	85,083
Total taxes	886,875	901,451
Post Office	394,542	413,648
Contributions	527,662	570,993
Miscellaneous	189,017	189,466
Total revenue	1,998,096	2,075,558

[1] For an account of the German development in detail, see Seligman, *Essays in Taxation,* 9th ed., 1921, p. 436 *et seq.*

[2] The statistics for Germany are taken chiefly from the following sources: *Vierteljahrshefte zur Statistik des Deutschen Reichs,* quarterly, (quoted hereafter as *Vierteljahrshefte*). *Denkschriftenband zur Begründung des Entwurfs eines Gesetzes betreffend Änderungen im Finanzwesen; Zusammengestellt im Reichschatzamt;* 5 vols., 1908, covering the years 1872-1908 (quoted hereafter as *Denkschriftenband*). *Charge of Taxation in Germany, compiled in the Ministry of Finance (closed April 30, 1920), Translation without Responsibility,* Berlin, 1920, covering the period 1913-1920 (quoted hereafter as *Charge of Taxation*). *Memorandum on the Financial Position of the Reich* (no. 254); *The Reichsminister of Finance; To the Reichstag, N. St. 928.20;* Berlin, 29 July, 1920; *Translation without Responsibility* (quoted hereafter as *Memorandum, no. 254*).

[3] *Denkschriftenband,* I, p. 47.

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Since the post-office revenues were almost entirely counterbalanced by the expenditures, and the state contributions by the allotments, the federal tax revenue amounted to only about 887 millions in 1900 and 901 millions in 1901.

Of the state and local taxes, unfortunately, there are no exact statistics available. We have, however, a statement of the state revenues for 1901 and of the communal revenues for 1907. In 1901 the revenues were as follows:[1]

In million marks	Empire	States	Total
Industrial revenues	542	2,582	3,124
Taxes and customs	1,057	574	1,632
Fees	10	172	182
Miscellaneous	655	825	1,479
Total.	2,264	4,153	6,417

In 1907 the communal revenue was 3,138 millions of which the tax revenue was 1,042 millions or about one third.[2] Inasmuch as the communal revenue was increasing rapidly during the decade, it is safe to assume that the tax revenue in 1900 would be about 800 millions. This would make the total tax revenues in 1900, corresponding exactly to 1901 for the United Kingdom, about 2200 millions (886 imperial, 525 state and 800 communal).

United States. In 1901 which, as we remember, corresponds roughly to the fiscal year 1900 in Germany, the federal revenues were as follows, in millions of dollars:

Customs	239
Internal revenue	307
Public domain	3
Miscellaneous	39
Total	588

[1] *Ibid.*, p. 448. The federal figures do not agree with those in the preceding table because they represent gross, not net, revenues.

[2] *Ibid.*, pp. 633 and 662.

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The tax revenue was accordingly about 546 millions. It is to be noted that the post office has a separate budget and that only the deficit or surplus of post-office earnings is included in the Treasury statement.

So far as the state and local revenues are concerned, the figures for the nearest date are the census figures for 1903:

In millions of dollars	Federal	State	County	Local	Total
Revenues	567	189	199	719	1,663
Of which taxes	505	189	160	546	1,400

In other words, the state and local tax revenues in 1903 were about 895 millions. Making allowance for the growth of revenues between 1901 and 1903, and estimating the state and local tax revenues at about 850 millions, it may therefore be said that the total tax burden at the beginning of the century in 1901 was approximately 1,400 million dollars.

II

The Development to the World War

The United Kingdom. Owing to the Boer war, the tax revenue in the year 1901–2 stood at about £132 millions. These figures changed but little for the remainder of the decade. Then came the contest over the budget of 1909 and the agitation for augmented revenue, due partly to the prodigious addition to the naval estimates, partly to the new legislation for old age pensions and national insurance. The result was, that by 1913–14, the last full year before the war, taxation yielded about £163 millions, as appears from the following table:[1]

	In thousands of £		In thousands of £
Customs	35,450	House duty	2,000
Excise	39,590	Income tax	47,249
Death duties	27,359	Land value duty . . .	715
Stamps	9,996	Total tax revenue .	163,029
Land tax	700	Total revenue . .	198,243

[1] *Statistical Abstract for 1922*, p. 2.

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Inasmuch as the local rates amounted to £82¼ millions, and the tolls, dues and duties to 10½ millions,[1] the total tax burden in 1913–14 may be put approximately at £256 millions (or exactly £255,678,288).

The salient facts in the character of taxation during this period deserve mention. Great Britain had for some time observed the policy of trying to keep a fair balance between direct and indirect taxes. When Lloyd George found in 1909 that he needed about fourteen millions more to carry out his program, he decided that a little over one-half should come from indirect taxes. He accordingly provided for an increase in customs duties, liquor and tobacco excises and in the motor-car tax as well as for additional stamp duties and a new tax on petrol or gasoline.

The chief interest of the budget lay, however, in the direct taxes. In 1907, the principle of differentiation was introduced into the income tax. That is to say, a distinction was now made whereby "unearned" was taxed at a higher rate than "earned" income. In the same year a considerably steeper scale of graduation running up to 15% was applied to the estate duty.

In the finance act of 1909–10, not only do we find an extension of differentiation but the graduated principle was now applied to the income tax, through the device of the so-called supertax, and abatements were introduced for children. Another change was the steeper graduation in the lower brackets of the estate duty, which now reached 15% on estates over a million instead of, as before, three millions. Since the legacy and succession duties, which applied to separate shares of the estate, were graduated according to relationship, with a rate ascending to 10%, the result was that the inheritance tax, or combination of death duties, now presented a graduated scale running up to 25%.

The most significant feature of the budget—and the true cause of the resistance by the House of Lords, which led to the epoch-making constitutional changes of the following year—was

[1] *Ibid.*, p. 57.

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the introduction of the new land taxes: the undeveloped land duty; the increment value duty; the reversion duty; and the mineral rights duty. These taxes, however, met with a most obstinate resistance, so that the annual expenses of valuation exceeded the insignificant returns. As a consequence, all attempts to enforce the law were discontinued in 1920.

France. The situation in France during this period suffered but little change. The growing democratic movement, indeed, caused an increasing interest in the endeavor to abolish the four taxes on yield, or "real" taxes, and to replace them by an income tax.[1] It was not, however, until 1914 that the income-tax law was enacted by parliament. But the outbreak of the war caused its postponement until 1916. The income tax was to replace the four direct taxes, the assessment of which by the state was, however, to be continued temporarily for departmental and communal purposes. The law of 1914 provided for a 2% general income tax, with abatements on incomes under 25,000 fr., and with liberal deductions for children.[2]

The other changes of importance in the tax system of France during this period affected the inheritance and the land tax. In 1901 and 1902 the scale of the inheritance tax (*droit de succession*) was increased, the direct tax rising to 5%, and the collateral tax to 20½%. In 1910, the direct tax was increased to a maximum of 6½% and the collateral tax to 29%. Finally, the law of 1914 converted the tax on land from an apportioned to a percentage tax, at the rate of 4% on the rental value; and the rate of the tax on improved real estate (which had for some decades been a percentage tax) was increased from 3.2% to 4%.

In the table below[3] will be found a statement of the revenues in 1913, the last full year before the war, in millions of francs.

[1] An account of the movement will be found in Seligman, *The Income Tax*, 2d ed., 1914, pp. 306-325.

[2] *Cf.* Just Haristoy, "L'impôt sur le revenu. Lois de 1914, 1915," in *Revue de science et législation financières*, vol. XIV (1916), p. 5.

[3] *La France financière*, pp. 232-5.

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Direct revenues	633.6		Monopolies	1,035.1	
Indirect revenues	2,890.2		Post Office		311.2
Registry taxes		834.3	Public domain	61.2	
Stamp and stock exchange		157.5	Miscellaneous	71.3	
Tax on securities		130.1	Exceptional taxes	185.2	
Customs		777.9	Recettes d'ordre	211.4	
Indirect taxes		697.4	Algiers	4.2	
Sugar taxes		191.2			
Total		3,523.8	Grand total	5,091.8	

It appears from this table that while the revenue from direct taxes had since 1900 increased only moderately, from 532 to 634 millions, the revenue from the indirect sources had increased very materially, namely from 1,964 to 2,890 millions. and that the revenue from monopolies had increased from 746 to 1,035 millions. Of this the tobacco, watch and powder monopolies yielded 610 milllons, making the total tax revenues 4,134 millions.

The total local receipts were 613 millions departmental and 1,071 millions communal. The tax revenues formed, however, only a little more than one-half of this total. The *centimes additionnels* amounted to 290 millions in the departments and to 319 millions in the communes, while the municipal *octrois* amounted to 334 millions, making the entire local tax revenues 943 millions.[1] The total tax burden—state, departmental and communal—would thus be approximately 5,077 millions. In other words, the total tax burden grew in this period from about four to slightly over five billion (milliard) francs.

Germany. In 1906 the increasing needs of the federal government led to a number of new taxes, so that the federal tax system henceforth comprised customs duties, taxes on tobacco, spirituous and malt liquors, sugar, salt, playing cards, stamp taxes on securities, sales, lotteries, and railway transportation. A new feature, moreover, was the federal collateral inheritance tax, ranging from 4 to 25%. This, however, was to be levied by the separate states, which were now to abandon their own

[1] *La France financière,* I, pp. 41, 318-336.

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recently adopted inheritance taxes, and to turn over two-thirds of the yield of the new tax to the empire.

This change, however, did not suffice and the growing needs of the federal government were sought to be met by the laws of 1909. These provided for increased taxes and the settlement of the fiscal relations between the empire and the states.

All the old taxes were increased and new taxes were imposed on dividends and interest (*Talonsteuer*), transfers of real estate, electric lamps, and bank deposits; three-quarters of the inheritance tax was reserved for the Empire; and the imperial grants were limited to the net yield of the tax on spirits. The unearned-increment or land-value tax which had begun as a local impost in Frankfort in 1904, had spread rapidly throughout Germany. The law of 1911 provided for a federal tax to replace all the former state and municipal taxes. To this extent the Empire now started on a policy of direct taxes.

A picture of the tax revenue of Germany in 1913 is afforded in the following table, in millions of marks: [1]

	Empire	States	Communities	Total
Direct taxes	0.8	893.	1,250.	2,144.
Income tax	—	(691)	(651)	(1,342)
Excise taxes	1,589.	111.	35.	1,736.
Luxury taxes.	40.	3.	24.	67.
Transactions	283.	108.	64.	456.
Inheritances	46.	24.	0.2	70.
Other indirect taxes.	—	—	3.4	3.4
Total	1,960.	1,140.	1,378.	4.478.

In other words the total tax revenue of Germany amounted in 1913 to about four and a half billions (milliards) of marks.

[1] *Charge of Taxation etc.* 1920, p. 36. These official figures vary considerably from those (derived from estimates) of *Taxation and National Income, Research Report number 55, October, 1922, of the National Industrial Conference Board,* New York. *Cf.* in general Dr. H. Koppe, "Die Reichssteuerreform in 1913," *Finanz Archiv,* vol. xxxi (1914), p. 254; and Dr. Rumpel, "Stätische Finanzen vor dem Kriege," *ibid.,* vol. xxxii (1915), p. 817. For the period prior to 1911, *cf.* Seligman, *Essays in Taxation,* 9th ed., 1921, pp. 500-515.

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United States. The relative increase in taxation here was less marked than in the other countries, the real significance of the period being found in the change in character, rather than in amount, of taxation.

After the Spanish War the American federal revenue system reverted to its customary form, of customs and internal excises. The important changes of the period consist of the adoption of the corporate excise tax in 1909 and of the federal income tax in 1913; while in the states the movement for an income tax was inaugurated in Wisconsin in 1911.

The federal revenues in 1914, corresponding to 1913 in Germany and France, are seen in the following table:

	In millions of dollars
Customs	292.2
Internal revenue	330.0
Lands	2.6
Miscellaneous	61.9
Total	734.7
Post Office	287.2

The federal tax revenues were thus 672 millions.

The figures available for an ascertainment of the total tax burden are derived from the census of 1913:

In millions of dollars

	Federal	State	County	Local	Total
Revenues (1903)	657	189	199	719	1,663
Revenues (1913)	954	368	370	1,108	2,799
Of which taxes (1903)	505	189	160	546	1,400
Of which taxes (1913)	661	304	306	849	2,180

From this it appears that the state and local burden of taxation was increasing during the decade at a faster rate than the federal burden, the former growing from 895 to 1,459 millions, the latter from 505 to 661 millions; but that the total increase of taxation—federal, state, and local—from 1.4 to 2.2 billions was not so rapid as in some of the other countries. The explanation is to be found in the fact that the outlays for military purposes were not growing to the same extent as in Europe.

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Making allowance for the increase from 1913 to 1914, and estimating the state and local tax revenues in 1914 at 1,578 millions (compared to 1,459 millions in 1913), this would bring the total tax revenue in 1914 to about 2,250 millions.

III

The Period of the War

Hostilities began in August, 1914, and ceased in November, 1918. The war years are therefore taken as five years, 1914–1918; and inasmuch as the fiscal years of Great Britain and the United States end on March 31st and June 30th respectively, the fiscal year 1918–1919 is counted in the war years of these countries.[1]

The stupendous expenditures of the war were met only in small part by taxation. In France the occupation of some of the richest provinces by the enemy, as well as the political conditions, rendered it impossible to defray any of the war expenses from taxation. The newly imposed taxes were in fact scarcely sufficient to compensate for the deficit in revenues caused by the occupation. In Germany the expectation of speedy victory and of the imposition of tributes upon the conquered nations prevented for some time any increase of taxation; it was only after several years that substantial additions were made to the federal tax burden. In the separate states and communities, however, there was a great increase of the tax burden from the beginning. In England and the United States considerably larger sums were derived from taxation, although here also the overwhelming majority of the war expense was met by loans. The proportion of net war expenditures defrayed from war taxes for the entire period of the war was in fact only about 17% in Great Britain and 21½% in the United States.[2] But so stupendous were the actual sums required that the burden of taxation in both Great Britain and the United States was enormously increased.

[1] See above, p. 106, note 1.

[2] See Seligman, *Essays in Taxation* (9th ed., 1921), pp. 758-767.

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United Kingdom. The situation during the war is indicated in the appended table, in millions of pounds:[1]

	1914	1915	1916	1917	1918	1919
Customs	35	39	60	71	71	103
Excise	40	42	61	56	39	59
Estate duties	27	28	31	31	32	30
Stamps	10	6	7	8	8	12
Land tax	0.7	0.7	0.7	0.6	0.7	0.6
House duty	2	2	2	2	2	2
Income tax	47	69	128	205	240	291
Excess profits tax	—	—	0.1	140	220	285
Land values tax.	0.7	0.4	0.4	0.5	0.7	0.7
Total tax revenues.	163	189	290	514	613	784
Total all revenues.	198	227	337	573	707	889

From this it appears that the tax revenues jumped from £163 millions in 1914 to £784 millions in 1919. The local taxes increased only slightly, until 1918, but then very considerably as appears from the following table, in thousands of pounds:[2]

	1914	1915	1916	1917	1918	1919
Rates	£82,343	85,375	87,737	84,705	87,978	114,200*
Tolls, dues and duties	10,306	11,480	12,260	12,420	12,610	12,800†

The total tax revenues of Great Britain, therefore, grew during the war period from £256 to about £911 millions.

On the eve of the war the income tax was fixed at 1s. 3d. in the £, with a supertax running up to 1s. 4d.; while the death duties were graded to a maximum of 20% (over one million

[1] *Statistical Abstract for 1922,* p. 2.

[2] *Ibid.,* p. 59.

* £103.6 millions without Ireland, where in the preceding year the rates were £9.9 millions.

† Estimated.

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pounds.)[1] In November of the same year the customs were increased on tea, and both the customs and the excise on beer; while the income tax was doubled.[2] In the summer of 1915 both customs and excises on immature spirits were increased.[3] At the end of the year the customs duties were augmented on cocoa, sugar, molasses, glucose, saccharin, dried fruits, tobacco and motor spirits and were further raised on tea; the excise duties were increased on motor spirits and medicines and both customs and excises on coffee and chicory; new customs were imposed on motor cars, musical instruments, clocks and cinematograph films; and new excises on sugar, molasses, glucose and saccharin. The income tax was increased to 3s. 6d., with a supertax rising to the same rate; and a war-excess profits tax of 50% was imposed.[4]

In the spring of 1916 excises were levied on matches, table waters, cider and perry, with a somewhat higher customs duty on matches and a new tax on entertainments. In the summer of the same year came another comprehensive increase of both customs and excise on coffee, chicory, cocoa, sugar, molasses, glucose and saccharin, with new customs duties on table waters, cider and perry, and new customs and excise duties on mechanical lighters, together with a motor-spirit license duty. The income tax was raised to 5s., and the excess profits duty to 60%.[5]

About a year later the entertainment tax was increased, the tobacco customs and excises were augmented and the excess profits duty was fixed at 80%.[6] Finally in 1918 the last of the

[1] Finance Act 1914, July 31, 1914; 4 and 5 Geo. 5, c. 10. An accurate statement of the detailed changes will be found in R. R. Kuczynski, "German Taxation Policy in the World War," *Journal of Political Economy*, vol. xxxi (1923), p. 763, in the appendix dealing with English War Taxation. The author calls attention to numerous inaccuracies, affecting both Germany and Great Britain, of Bogart, Friedman, Plehn and McVey.

[2] Finance Act 1914 (Session 2), Nov. 27th, 1914; 5 Geo. 5, c. 7.

[3] Finance Act 1915, July 29, 1915; 5 and 6 Geo. 5, c. 62.

[4] Finance (no. 2) Act 1915, Dec. 23d, 1915; 5 and 6 Geo. 5, c. 89.

[5] Finance Act 1916, July 19, 1916; 6 and 7 Geo. 5, c. 24.

[6] Finance Act 1917, Aug. 2, 1917, 7 and 8 Geo. 5, c. 31.

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war budgets raised the income tax to 6s., with a supertax rising to 4s. 6d.; increased the customs on spirits, the customs and excises on immature spirits, tobacco, beer, sugar, molasses, saccharin and matches; and some of the stamp duties. The only decrease of taxation was on certain entertainments. But the income tax was raised to 6s. with a supertax rising to 4s. 6d., or a total maximum of 52½%.[1] The result was that by the end of the war from a quarter to a third of very moderate incomes and over a half of the larger incomes were taken by the state; and in the last year of the war over three-quarters of the tax revenue was derived from direct taxes on wealth. The burden had now become a crushing one.

France. It was not until 1916 that the matter was taken energetically in hand. In April provision was made for setting the general income tax into operation.[2] In June the alcohol tax was increased and in July a war-profits tax of 50% was imposed.[3] Finally at the end of the year the so-called war taxes were introduced. The postal, telegraph and telephone charges were raised; increases were made in the taxes on sugar, tobacco, hygienic drinks and mineral waters; the tax on securities was increased from 4 to 5, 5 to 6, and 8 to 10 per cent respectively; and new excise taxes were imposed on amusements, pharmaceutical specialties, coffee, cocoa, tea, chicory, pepper and vanilla. Certain "assimilated" taxes were doubled, (carriages, clubs, billiards, mines and hunting); the war-profits tax was increased to 60%; the general income tax was now graduated from 1 to 10%, the maximum rate being applicable to incomes of 150,000 francs; and an "exceptional war tax" was imposed on those of military age, not called to the colors. This consisted of a flat payment of 12 fr. plus 25% of the general income tax.[4]

[1] Finance Act 1918, July 30, 1918, 8 and 9 Geo. 5, c. 15.

[2] "Instruction du ministère des finances du 5 avril, 1916," in *Revue de science et de l'législation financières,* vol. 14 (1916), pp. 257 and 274.

[3] "La loi sur les bénéfices de guerre." *Ibid.,* p. 454.

[4] For all these laws see J. Radouant, "Les impôts de guerre," in the *Revue,* vol. 15 (1917), pp. 122-139. *Cf.* Just Haristoy, "L'impôt sur le revenu," *ibid.,* p. 53.

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In July, 1917, the general income tax was raised from a maximum of 10% to 12½% and a series of taxes on income classified by source *(impôts cédulaires)* was introduced, to replace three of the four old taxes on yield *(impôts réels)*—only the tax on real estate (*contribution foncière*) being retained, but with its rate increased from 4% to 5%. These new "scheduled" taxes on income included those on agricultural profits (*bénéfices de l'exploitation agricole*) as distinguished from land ownership, at the rate of 3¾%; on industrial profits, 4½; on wages, salaries, pensions, life annuities and non-commercial professions, 3¾%; and on the interest on capital. Finally, a special turnover tax (*chiffre d'affaires*) was imposed on retail sales exceeding one million francs, rising from 1 to 5 per mill on sales over 200 millions.[1] In October, 1917, the match tax was increased and at the end of the year further changes were made. A tax on payments was introduced at the rate of $\frac{1}{5}$ of 1%, with 10% on certain luxuries; the war profits tax was raised to 80%; and the inheritance tax was greatly increased, the estate tax (*capital net global des successions*) rising to 24%, and the tax on shares (*droits de mutation*) to 36%[2]. In January, 1918, the tobacco tax was further increased and five months later the last of the comprehensive war-tax laws was enacted. The general income tax was now graduated up to 20%; an increase took place in the taxes on drinks, chicory, vinegar, and sugar (by from 15 to 60%); some of the registration and stamp taxes were augmented, as was the "assimilated" *taxe de main-*

[1] For these laws see *Revue,* vol. 15 (1917), pp. 448-468. The account given by E. L. Bogart, *War Costs and their Financing,* 1921, pp. 247 *et seq.,* is inaccurate in several particulars. The taxes mentioned by him were imposed not "by Act of July 1, 1916," but by the succeeding act of Dec. 30th, 1916; and this latter act did not "raise in a drastic manner the rates" of those imposed by the act of July. Furthermore, the tax on securities was not "raised by 1%," but in some cases by 2%. As to the changes of 1917, Bogart is in error in stating that the income tax was increased by 20%. The maximum rate was increased to 12½%. Furthermore, the half of one per cent turnover tax applied to sales not over $400,000, but over $40,000,000. Finally, no mention is made of the increase of the land tax from 4 to 5% or of the important changes effected by the law of 1917.

[2] *Cf.* the law for the *création des nouveaux impôts de guerre,* in *Revue,* vol. 16 (1918), p. 145,

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morte; and the tax on passenger fares was raised to 35% (50% for *places de luxe*). New taxes were levied on insurance policies, shows, freight transportation (10%); and the luxury tax which had been imposed in March of the same year had some of its rates increased to 20%.[1] The results of these changes appear in the following table:[2]

In millions of francs

	1914	1915	1916	1917	1918
Direct taxes	611	547	550	730	696
Income tax	—	—	(51)	(254)	(547)
War profits tax	—	—	—	209	578
Stamp taxes	815	610	685	896	1,143
Tax on securities	153	157	181	242	253
Tax on payments	—	—	—	—	112
Customs duties	579	764	1,400	1,511	1,186
Indirect taxes	604	517	530	752	954
Sugar tax	159	213	183	266	184
Monopolies (matches, tobacco, etc.)	571	549	616	712	710
Post Office	371	304	334	404	448
Public domain	60	114	110	120	148
Miscellaneous	273	355	343	344	379
Total	4,196	4,130	4,932	6,186	6,791
Total tax revenues *	2,921	3,013	3,811	4,914	5,308

* Including the monopolies, less the P. O.

From this it will be seen that for the first two years of the war the yield of both the direct and the indirect taxes was actually less than before the war. In the subsequent years the chief increases came from the customs duties, the income tax and the war-profits tax. But even then the total increase of taxes was comparatively slight, growing from 2,921 to only 5,308 millions. Owing to the war, moreover, the local revenues from taxation remained about the same, while the proceeds from *octrois* actually decreased, owing largely to the occupied districts. The figures of local taxation are as follows:[3]

[1] For these laws see *Revue,* vol. 16 (1918), pp. 454-479.

[2] *Bulletin de Statistique,* vol. 89 (1921), p. 625, and vol. 91 (1922), p. 849. This table differs from the preliminary figures found in various other statements.

[3] These figures are taken from successive volumes of the *Bulletin de statistique* and the *Annuaire statistique,* which contain in each case only the figures for the preceding year.

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In millions of francs

	Centimes additionnels		Octrois	Total tax revenues
	Departments	Communes		
1914	308	323	268	899
1915	293	313	233	839
1916	304	334	224	862
1917	309	347	232	886
1918	326	411	174	911

The total tax burden in France at the end of the war period may therefore be put at 6,219 thousand millions or approximately six and a quarter billion (milliard) francs as compared with less than four billions (milliards) in 1914, and with over five billions (milliards) in the last year preceding the war.

Germany. Already before the outbreak of the war,[1] in 1913, the government had provided for a non-recurring defense contribution (*Wehrbeitrag*) imposed on both property and income, the rate on property varying from 0.15% to 1½% (on sums over five millions), the rate on income varying from 1% to 8% (on incomes over a half million)[2]. In the same year provision was made for the *Besitzsteuer* or tax (to be levied in 1917) on the increment of the value of property between 1914 and 1917.

[1] For the situation at the outbreak of the war, see G. Schanz, "Uebersicht über die zur Zeit (1914) in den Deutschen Bundesstaaten und Gemeinden geltenden direkten Steuersysteme." *Finanz Archiv,* vol. 31 (1914), p. 236. *Cf.* Dr. F. W. R. Zimmermann, "Die Finanzwirtschaft des Deutschen Reichs und der Bundesstaaten zu Kriegsausbruch," *ibid.,* p. 194; and Dr. Rompel, "Städtische Finanzen vor dem Kriege," *ibid.,* vol. 32 (1915), p. 817. The best accounts of the changes year by year will be found in the articles by R. van der Borght, in the *Finanz Archiv,* vol. 33 (1916), p. 721; vol. 34 (1917), p. 747; and vol. 36 (1919), p. 182. *Cf.* the study by R. Jantzen on the direct tax of 1916, *ibid.,* vol. 34 (1917), p. 133; and the "Denkschrift des Reichsministers der Finanzen, Schiffer uber die Finanzen des Deutschen Reichs in den Rechnungsjahren 1914-1918," reprinted in *Finanz Archiv,* vol. 36 (1919), p. 783. A more general treatment will be found in R. R. Kuczynski, "Deutsche Kriegssteuerpolitik," *Annalen fur Sociale Politik und Gesetzgebung,* vol. vi (1918), p. 278. An English version of this is the same author's article mentioned above, p. 120.

[2] "Gesetz über einen einmaligen ausserordentlichen Wehrbeitrag von 3 Juli, 1913." *Finanz Archiv,* vol. 31 (1914), p. 320.

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ELECTRONIC REPRODUCTION PROHIBITED

The rate varied from ¾ of 1% to 1½% on the increased value, with an addition graded from $\frac{1}{10}$ of 1% to 10% according to the amount of the property (not of the increment).[1]

In the year following the outbreak of hostilities the Reichsbank was subjected to a war tax which increased from year to year.[2] In 1916 the matter was taken up seriously. An increase took place in the tobacco tax, in the stamp tax on bills of lading (*Frachturkundenstempel*) and in the postal, telegraph and telephone charges, and a tax of one per mill was imposed on sales or transfers of commodities (*Waarenumsatzstempel*).[3]

Provision was now made for a war tax, consisting primarily of a levy on capital gains or the increment of property from 1913 to 1916, at rates varying from 5% to 50% (on increments over 400,000 mks.). The law included a tax of 1% on all property which had not suffered a decrease of at least 10%. Corporations (or companies) were subjected to a tax of from 5% to 30% of the excess profits over the five pre-war years, according as they amounted to from 2 to 30% of the capital; with a possible 50% increase of the tax, bringing the maximum rate to 45%.[4]

In 1917 the war tax was increased 20%, with abatements according to the number of children;[5] a 20% tax was put on coal, a 7% tax on freight traffic and a tax of from 10 to 16% on passenger fares.[6] Furthermore, in July, 1918, the duties on tea and coffee were raised; new taxes were imposed on wines, sparkling wines, mineral and artificial waters; an increase was effected in

[1] "Besitzsteuergesetz", *Finanz Archiv*, vol. 31 (1914), p. 336.

[2] The bank tax for 1915 was 114 millions, together with three-quarters of the excess profits over the pre-war average. By 1919 it had reached 355 millions plus 80% of the excess profits. *Cf.* the laws in *Finanz Archiv*, vol. 33 (1916), p. 765; vol. 34 (1917), p. 834; vol. 35 (1918), p. 801, and vol. 37 (1920), pp. 658, 659.

[3] The respective laws will be found in *Finanz Archiv*, vol. 33 (1916), pp. 786, 784, 781, and 776.

[4] "Reichskriegssteuergesetz von 21 Juni, 1916", providing for the so-called *Ausserordentliche Kriegsabgabe*. *Finanz Archiv*, vol. 33 (1916), p. 767.

[5] *Finanz Archiv*, vol. 34 (1917), p. 820.

[6] "Reichsgesetz über die Besteuerung des Personen- und Güterverkehrs" and "Reichskohlensteuergesetz", *Finanz Archiv*, vol. 34 (1917), pp. 805, 813.

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ELECTRONIC REPRODUCTION PROHIBITED

the beer tax as well as in the stamp taxes, especially the tax on bills on exchange; the postal, telegraph and telephone charges were again raised; the turnover tax was increased to ½ of 1%, together with a rate of 10% on certain luxuries; and the brandy monopoly was introduced.[1] Finally an extraordinary war tax was imposed on both property and income. The property tax varied from 1% to 5%, and the excess income tax was graded from 5% to 50% (on an excess income of over 100,000 mks.). In the case of companies the excess profits tax was graduated from 10% to 60%.[2]

As a consequence of the facts recited above the first two years of the war witnessed a diminution of the tax burden, the federal tax revenue falling from a little under 2½ billions (milliards) of marks in 1914 to a little over 1½ in 1916; and the state tax revenue decreasing in 1915, and slightly increasing in 1916, making a total decrease of about 700 millions in the two years. From then on however came a notable change. The figures are found in the following table:[3]

In millions of marks

	Federal						State					Total
	Direct taxes	Customs	Indirect taxes	Taxes on exchange	Inheritance taxes	Total	Direct taxes	Income taxes	Taxes on exchange	Inheritance taxes	Total	
1914..	637	666	851	209	54	2,417	908	(711)	107	21	1,113	3,53
1915..	308	399	575	176	61	1,519	885	(676)	84	22	1,028	2,54
1916..	65	389	801	258	65	1,577	1,164	(933)	66	34	1,310	2,88
1917..	4,991	278	1,449	406	70	7,274	1,408	(1,167)	31	29	1,534	8,80
1918..	2,531	191	2,616	718	97	6,153	1,814	(1,545)	22	33	1,986	8,13

From this it appears that the federal taxes yielded almost three times as much in 1917 as in 1914, increasing from 2,417 to 7,274 millions and that the state tax revenues increased from

[1] *Finanz Archiv*, vol. 36 (1919), pp. 475, 487, 493, 501, 518, 345, 404, 411 and 428.

[2] "Reichsgesetz über eine ausserordentliche Kriegsabgabe für das Rechnungsjahr 1918, von 26 Juli 1918", *Finanz Archiv*, vol. 36 (1919), p. 530.

[3] This will be found in *The Charge of Taxation*, 1920, and in *Memorandum, no. 254.*

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ELECTRONIC REPRODUCTION PROHIBITED

1,113 millions in 1914 to 1,986 millions in 1918, the major part of the increase coming from the income tax. The details of the income-tax revenue are shown herewith, in millions of marks.[1]

	1914	1915	1916	1917	1918
Prussia	396	373	553	696	909
Bavaria	51	49	67	90	126
Saxony	73	68	68	89	133
Wurtemberg	25	25	42	55	72
Baden	16	16	16	11	14
All of the 26 states	711	676	920	1,153	1,527

As to the local taxes, unfortunately, exact figures are not yet available. A fair estimate, however, based on the figures of 1913 and on the assumption that local taxes increased in a little larger proportion than the state taxes, would put the local tax burden in 1914 at about 1¾ billion (milliard) marks and in 1919 at about 3 billions (milliards). This would bring the entire tax burden from about 5¾ billions (milliards) in 1914 to about 11¼ billions (milliards) in 1918, the period which corresponds to 1919 in the United Kingdom.

United States. Although the United States did not enter the war until 1917, the financial disorders in Europe so seriously affected current revenues that an addition was imperatively needed. The emergency revenue law of 1914 accordingly increased the taxes on beer and tobacco, and imposed a variety of stamp taxes. In 1916 the scale of progression in the income tax was made sharper and provision was made for an estate tax, running up to 10%, a munitions manufacturers' tax, an excise tax on corporations, and a series of special taxes. In 1917 an excess-profits tax of 8% was imposed and the scale of the inheritance tax increased to a maximum of 15%.

After our entrance into the war in 1917 new taxes were imposed on excess profits, transportation, sales, stamps and admissions, together with a great increase in the taxes on income, tobacco and liquors. Finally, in 1918, the existing taxes were

[1] *Charge of Taxation*, p. 37.

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ELECTRONIC REPRODUCTION PROHIBITED

in many cases more than doubled, and a multiplicity of excise and miscellaneous taxes were imposed. The income tax, which in 1913 stood at the rate of 1% normal and 6% surtax was increased in 1916 to 2% normal and 13% surtax; in 1917, to a 4% normal and 65% surtax; and in 1918, to a 12% normal and 65% surtax, or a total of 77%. These were the highest rates yet reached by any country in the world. The results appear in the following table:

In millions

	1915	1916	1917	1918	1919
Customs	$210	$213	$226	$183	$183
Internal revenue	425	513	819	3,696	3,840
Miscellaneous	63	57	79	301	631
Total ordinary receipts	698	783	1,124	4,180	4,654
Postal receipts	287	312	330	344	365

From this it will be seen that by the end of the war, although the customs revenues had actually declined, the internal revenue had multiplied more than ninefold. Inasmuch as the only tax revenues included under the head of "miscellaneous" in the above table were, in 1919, the tax on national bank circulation (3.8 millions) and the increased postal charges (61.9 millions) it follows that the federal tax revenues increased from 637 millions in 1915 to 4,089 millions in 1919.

For the state and local revenues complete figures are, unfortunately, lacking. All that we possess are the statistics of state revenues and of cities over thirty thousand. The state tax revenues for 1919 are given as 528 millions, and the cities' revenues as 875 millions, or a total of 1,403 millions.

The results of the 1923 census, however, enable us to make a reasonably accurate estimate of the entire state and local revenues in 1919. This estimate, as explained in the note, amounts to 2,617 millions.[1] Adding to this the federal revenues as

[1] The pertinent Census figures are as follows:

In millions	*States*	*Counties*	*Local*	*Total*
1913	304	306	849	1,519
1919	528	...	....	....
1922	867	742	2,720	4,229

From this it appears that state revenues increased 73% from 1913 to 1919,

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above would bring the total tax revenues—federal, state and local—in 1919 to about 6¾ billions, or exactly 6,704 millions.

IV

The post-bellum period

Many of the war expenses did not cease with the armistice. It took some time for the armies to be demobilized and for conditions to return to a fairly normal state. Moreover, the stupendous war debts called for gigantic sums to provide for interest and amortization. As a consequence, the expenses actually increased in some of the countries; and especially with the falling-off in new loans, there was everywhere at first a necessity for augmented taxes. It was not until after some time that it became possible to introduce a period of gradual reduction.

The increasing revenues immediately after the armistice were due to new and higher taxes. The result of the movement was a scale of graduation never before attained. By 1920 the progressive rate in the income tax had reached a maximum of 77% in the United States and of 60% in Great Britain, France and Germany. In the inheritance tax the rate in Great Britain had risen to the maximum of 50% (40% for the estate duty plus 10% for the legacy and succession duty); in Germany to 70%; in France to 80% and in the United States to 25%, to which should be added the state inheritance taxes, some running up to 15% direct and 30% collateral. The excess-profits tax which in Great Britain had been reduced in 1919 to 40% was increased to 60% and in Germany to 80%, at which figure it had stood in France. The capital levy was introduced into Ger-

and 64% from 1919 to 1922; or 285% from 1913 to 1922; and total revenues increased 272% in the same period. Applying, therefore, to the total revenues slightly smaller intermediate percentages would give us a total revenue of 2,617 in 1919. That is, an increase of 71% (in lieu of 73%) applied to 1519 in 1913 would give 2617 in 1919; and an increase of 62% (in lieu of 64%) applied to 2617 in 1919 would give 4239 in 1919, which is reasonably close to the actual census figure of 4,229.

The estimate differs only slightly from that of the *National Industrial Conference Board Research Report no. 55, Taxation and National Income,* Oct. 1922, p. 28, which is reached on a very different basis. The Board figures for 1919 are $6,742,020, as compared with $6,704,000 as above.

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ELECTRONIC REPRODUCTION PROHIBITED

many in 1919 with rates of 10–65%, and in Italy in 1920 with the rates of 4½–50%. The high-water mark, however was reached by the German property-increment tax of 1919 ranging from 10 to 100%. A similar tax imposed in Italy in 1920 (*imposta straordinaria sul patrimonio*) ran up to 80%.

The peak was reached in the United States in 1920, in England in 1921, in France in 1922. By that time the excess-profits taxes had been everywhere abolished and gradual remissions were being made in other taxes.

United Kingdom. In 1919 some taxes were increased, others lowered, but with a net increase of the burden. The income tax was raised to 6s.; the excess-profits duty was reduced to 40%. Increases were made in the customs on spirits, and in the customs and excises on immature spirits and beer; while the excises were reduced on tobacco, sugar, molasses, glucose, saccharin and chicory, and repealed on motor spirits and motor spirit licenses. Slight changes were made in the entertainments duty, and imperial preference in import duties was introduced.[1] In 1920 came some more notable increases. The supertax was raised to 6s. making a total maximum of 12s. (60%); the estate-duty was doubled, rising to a maximum of 40% on estates over two millions; the excess-profits tax was increased to 60%, and a 5% corporation profits tax was introduced. The customs on spirits, wine and cigars were greatly augmented, as were the customs and excises on beer, while many of the stamp taxes were doubled. On the other hand, the duties on motor spirits and on land values were repealed.[2] In 1921 the additional 1920 duty on cigars was repealed, as was also the duty on mechanical lighters. The duties on sparkling wines were altered and on entertainments reduced, and provision was made for the termination of the excess-profits duty.[3] In 1922 the income tax was reduced to 5s.; the duties were lowered on tea, coffee, cocoa and chicory; the excises on sugar and molasses made from domestic beets, were repealed; the club

[1] Finance Act 1919, July 31, 1919, 9 and 10 Geo. 5, c. 32.

[2] Finance Act 1920, Aug. 4, 1920, 10 and 11 Geo. 5, c. 18.

[3] Finance Act 1921, Aug. 4, 1921, 11 and 12 Geo. 5, c. 32.

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ELECTRONIC REPRODUCTION PROHIBITED

duty was lowered, and relief was afforded from certain entertainment duties.[1] In 1923 the excise on cider was repealed and on table waters cut in half, the rebates on beer were greatly increased, further relief was afforded in the entertainment tax, and the income tax was reduced to 4s. 6d.[2] As a result of these changes the revenues were as follows, in millions of pounds:[3]

In millions of £

	1920	1921	1922	1923	1924*
Customs	149.4	134.0	130.0	123.0	118.5
Excise	133.6	199.8	194.3	157.3	155.7
Motor vehicles	—	7.1	11.1	12.2	13.2
Estates	40.9	47.7	52.2	56.9	52.0
Stamps	22.6	26.6	19.6	22.2	20.0
Land tax	0.7	0.7	0.6	} 2.9	3.0
House duty	1.9	1.9	1.9		
Income tax	359.1	394.3	398.8	379.0	328.0
Excess profits	290.0	219.2	30.5	2.0	12.0
Corporation profits	—	0.7	17.5	18.9	20
Land value duties	0.7	0.1	0.1	—	—
Total tax revenues	998.9	1,031.7	856.7	774.7	732.2
Non-tax revenues	340.7	394.2	268.2	139.3	120.4
Total revenues	1,339.6	1,425.9	1,124.9	914.2	852.7

* The figures are for Great Britain and North Ireland.

It was during this period that the great increase in local rates took place. In Great Britain alone (excluding Ireland) these amounted in 1922 to £192,008,000. Assuming that the total local taxes (including "dues") amount to about £200 millions in 1921–22, to about £225 millions in 1922–23 and to about £250 millions in 1923–24; this would make the total tax burden in Great Britain in 1921 almost £1,250,000,000, in 1922 a little over a thousand (£1,060) millions, in 1923 about 950 millions, and in 1924 about 980 millions.

[1] Finance Act 1922, July 20, 1922, 12 and 13 Geo. 5, c. 17.

[2] Finance Act 1923, July 18, 1923, 13 and 14 Geo. 5, c. 14.

[3] *Statistical Abstract for 1923*, p. 2; *Finance Account* for 1923-24.

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France. After the war was over it was decided that the excess-profits tax should cease after 1919.[1] But as additional revenue was needed to compensate for this, there was considerable discussion as to possible increases in the income tax.[2] The discussion eventuated in a law of June, 1920, which increased the graduation of the general income tax to a maximum of 50% with 10% additional for childless married persons, and 25% for bachelors and childless divorced persons. The rates of the scheduled income tax were also increased—salaries and agricultural profits to 6%, industrial profits to 8%, real estate to 10% and mine profits to 20%. As a consequence the maximum possible rate on income was 82½%—50% global, ¼ or 12½% additional for childless divorcés and 20% for the scheduled tax.

The same law fixed the date of expiration of the war excess-profits tax as June 30, 1920. The rates were increased in certain registry and stamp taxes, as well as in the taxes on drinks, alcohol, amusements, sugar, coffee, chocolate, tea, pepper, vanilla, gasoline and automobiles. The payments tax on non-commercial transactions was increased to 10%, and the sales tax (*chiffre d'affaires*) to 1% and 3% with 10% on luxuries, plus an addition of one-tenth for local purposes, in which the departments were to share to the extent of one-third, and the communes two-thirds. The tax on securities was increased to 10%, 12% and 20% and the inheritance tax was raised to a maximum of 39% on the estate, and 59% on the share. As this might mean a total tax of 98%, it was provided that the tax should in no event exceed 80%.[3]

In the two succeeding budgets for 1922 and 1923, only minor changes were made, barring a further increase in postal

[1] "Loi du 12 Août 1919 portant fixation du budget ordinaire pour l'exercice 1919," in *Revue,* vol. 17 (1919), p. 477. *Cf.* "Les projets financiers du gouvernement en 1919", *ibid.,* p. 585.

[2] An account of the plans of Klotz, Francois-Marsal, Dumont and de Lasteyrie will be found in Just Haristoy, "L'impôt sur le revenu", *Revue,* vol. 19 (1921), pp. 96, 260, 491.

[3] "Loi du 25 Juin, 1920, portant création des nouvelles ressources," *Revue,* vol. 18 (1920), pp. 333-381.

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ELECTRONIC REPRODUCTION PROHIBITED

charges in 1923.[1] It was not until the great fall of the franc early in 1924, that a substantial further increase in taxation was considered.

As a result of these changes the revenues were as follows, in millions of francs.[2]

In million francs

	1919	1920	1921	1922*	1923*
Direct taxes	1,069	1,620	1,872	2,507	2,983
Stamp taxes	2,195	3,260	3,289	3,515	3,176
Tax on securities	290	568	926	737	821
Sales tax†	269	1,256	1,911	3,058	2,513
Customs duties	1,477	1,596	1,197	2,466	1,923
Indirect taxes	1,779	2,612	2,919	2,927	2,682
Sugar taxes	377	444	365	543	519
Monopolies	1,052	1,582	1,711	1,802	1,837
Post Office	589	921	1,071	1,108	—‡
Public domain	155	151	113	183	176
Miscellaneous	455	938	1,173	985	1,420
Total ordinary	9,707	14,948	16,547	19,831	18,060
War-profits tax	672	3,224	3,169	3,050	1,225
Sale of war material	1,207	1,649	1,501	500	—
Total general budget	11,586	19,821	21,217	23,381	19,285
Special budget§	—	—	326	1,310	—
Grand total	11,586	19,821	21,543	24,691	19,285

From this it will be seen that the tax revenues[3] increased

[1] The laws of April 30, 1920; of Dec. 31, 1921; and of June 30, 1923, fixing the budgets for 1921, 1922, and 1923 respectively will be found in *Revue*, vol. 19 (1921), p. 303; vol. 20 (1922), p. 163; and vol. 21 (1923), p. 439. For the increase in postal charges, see vol. 21 (1923), p. 173.

[2] *Bulletin*, May, 1922.

[3] The tax revenues are arrived at, as in the preceding section, by adding to the direct and indirect taxes the excess-profits tax and the revenues from monopolies, excluding the post-office.

* Budget estimates.

† Including *impôt sur le chiffre d'affaires* and *impôt de luxe*, and for 1919 and 1920 the tax on payments.

‡ Post-office revenues and expenditures put into a special budget.

§ Including *recettes d'ordre* and miscellaneous.

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ELECTRONIC REPRODUCTION PROHIBITED

from a little over nine (9,180) milliards in 1919, to about sixteen and a half (16,548) milliards in 1921; and while they increased to about nineteen and a half (19,497) milliards in 1922, they receded in 1923 to about sixteen and a half (16,540) milliards.

The figures of local tax revenues as far as available, are given herewith:[1]

In millions of francs

	Centimes additionnels		Octrois	Total
	Department	Communes		
1919	350	468	229	1,048
1920	508	719	379	1,606
1921	760	879	360	1,999

From this it would appear that the total tax revenues were in 1921 (corresponding in 1922 to the United Kingdom) about eighteen and a half (18,547) milliards. If we estimate the local tax revenues for 1922 at about 2¼ and for 1923 at about 2½ milliards, the total tax revenues for 1922 would be a little under twenty-two (21,747) billions (milliards) and for 1923 a little over nineteen (19,040) billions (milliards).

Germany. In 1919 the tax on tobacco was increased, as were also the postal, telegraph and telephone charges; new taxes were imposed on playing cards, illuminants (*Zündwarensteuer*) and transfers of real estate (*Grunderwerbsteuer*); and the turnover tax was raised to 1½%, with a rate of 15% on certain luxuries.[2] The inheritance tax now comprised an estate tax (*Nachlassteuer*) running up to 5%, and a tax on shares (*Erbanfallsteuer*) graded from 4% to 70%.[3] The extraordinary war tax for the year consisted of a tax on excess income, graded

[1] *Bulletin,* vol. 91, p. 114; vol. 92, p. 116. *Revue,* vol. 20 (1922), p. 593.

[2] These laws will be found in *Finanz Archiv,* vol. 37 (1920), pp. 243, 284, 287, 265, 276, 289, and 223.

[3] *Ibid.,* p. 315.

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ELECTRONIC REPRODUCTION PROHIBITED

from 5% to 70% and, in the case of companies, of an excess profits tax graded from 30% to 80%. A special tax was imposed on the increment of property (*Kriegsabgabe von Vermögenszuwachsen*) graduated from 10% to 100% (on all increments over 375,000 mks.). Finally at the end of the year provision was made for an additional capital levy or so-called Emergency Sacrifice tax (*Reichsnotopfer*) on property, running from 10% to 65% (on property over seven million marks),[1] to be levied only once but to be paid in 30 to 50 instalments. In the following year however the law was amended, requiring one-third of the levy to be paid in 1921, and abandoning the remaining two-thirds.

In 1920 the postal, telegraph and telephone charges were again raised, and the tax on sparkling wines was increased. The income tax was graduated from 10 to 60%; the corporation tax was fixed at 10% plus an addition of from 2 to 10% according as the profits exceeded from 4 to 18% of the capital; and a 10% tax was imposed on interest (*Kapitalertragsteuer*).[2]

In 1921 another addition was made to the postal, telegraph and telephone charges, and the stock exchange tax (*Börsenumsatzsteuer*) was raised.[3]

In 1922 provision was made for a compulsory loan, with an obligation to subscribe from 1 to 10% of one's property. As this loan, like all the other German loans, has been completely wiped out by the worthlessness of the currency, it amounted to a pure tax. Slight changes were made in the income tax; the corporation tax was fixed at a flat rate varying from 10 to 20% according to each class of companies; and provision was made for an annual capital levy or property tax, graduated from 1% to 10%, with a possible doubling of the tax

[1] *Ibid.*, pp. 298, 306 and 559. For a discussion of this law, see v. Badulesco, "Le prélèvement sur le capital en Allemagne," in *Revue,* vol. 19 (1921), pp. 153, 333, 536, and J. Jastrow, "The German Capital Levy Tax," in *Quarterly Journal of Economics,* vol. 34 (1920), p. 462.

[2] For these laws, see *Finanz Archiv,* vol. 37 (1920), pp. 668, 672, 573, 632 and 639.

[3] *Finanz Archiv,* vol. 38 (1921), pp. 616-656.

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in the case of large estates; as well as for an annual capital increment tax, graded from 1% to 10%. Finally a tax of 25% was imposed on house rents, to aid in the construction of new buildings.[1]

In 1923 additions were made to the taxes on beer, wine, mineral waters, artificial waters, transportation, tobacco, and matches. The stamp taxes were raised, and the coal tax was doubled (to 40%). The turnover tax was increased to 2%, with 15% on luxuries. A tax on admissions was imposed and provision was made for taking account of the depreciation of the currency in the payment of taxes.[2]

The most important change however, consisted in the centralization of the system. After 1920 all taxes except state taxes on land and business and communal taxes on land increment and minor sources were to be levied by federal officials. In order, however, to furnish an adequate revenue for state and local purposes, it was provided that a share of the federal revenues should be distributed to the localities. In the income and the corporation tax, the national government retains only one-third; in the inheritance tax the states receive 20%; in the land-transfer tax 50%; in the sales tax 20% and the localities 5%. The German revenues since the war are given herewith.

[1] *Finanz Archiv,* vol. 39 (1922), pp. 39, 211, 217, 233, 264, 277. A discussion of the compulsory loan will be found in E. Wellhoff, "L'emprunt forcé Allemand," in *Revue,* vol. 21 (1923), p. 20.

[2] *Cf. Finanz Archiv,* vol. 40 (1923), pp. 473 (coal tax), 414 (turnover tax), 401 (amusements), and 280 (currency depreciation). For the other laws, *cf.* pp. 185-200, 265, 452-465 and 485. A study of the changes effected in 1922 will be found in J. Jastrow, "The New Tax System of Germany," in *Quarterly Journal of Economics,* vol. 37 (1923), p. 302. For a general survey of taxation from 1919 to 1923, see H. G. Moulton and C. E. McGuire, *Germany's Capacity to Pay,* 1923, pp. 160 and 187. A series of volumes, providing an exhaustive commentary on each of the new tax laws, is to be found in Schiffer, *Die Deutschen Finanz- und Steuergesetze in Einzelkommentaren.* Eight thick volumes have appeared by the end of 1923, each by a separate author.

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In billions (milliards) of marks[1]

	1919	1920	1921	1922 *	1923 *
Taxes on wealth and exchange:					
Income	—	10.2	29.7	350.	450.
Corporation	—	0.1	1.6	5.	7.
Produce (*Kapitalertragsteuer*)	—	0.9	1.5	2.	—
Emergency levy (*Reichsnotopfer*)	0.002	9.9	0.8	4.	—
Property (*Vermögensteuer*)	—	—	—	—	60.
Possessions (*Besitzsteuer*)	0.08	0.01	0.1	0.002	—
Inheritance	0.09	0.3	0.6	1.5	2.
Turnover (*Umsatzsteuer*)	0.8	5.1	11.5	177.5	500.
Real estate purchase (*Grunderwerbsteuer*)	0.06	0.7	0.7	1.5	1.4
Dividends and interest (*Kapitalverkehrsteuer*)	—	—	—	35.2	65.8
Motor vehicles	—	—	—	0.1	4.
Insurance	—	—	—	1.3	1.5
Races and lottery	—	—	—	0.8	2.2
Stamps	0.9	1.7	6.8	2.1	4.5
Transportation	0.5	1.4	2.2	34.2	520.
Non-recurring war taxes	1.2	5.6	5.4	—	—
Total	3.7	35.7	59.1	614.9	1,617.9
Taxes on commodities:					
Customs	1.1	2.2	5.9	88.	500.
Coal	1.6	4.9	7.0	150.	2,750.
Other excises	1.7	4.1	8.3	59.6	189.
Total	4.4	11.2	21.2	297.6	3,439.
Miscellaneous	1.1	6.1	6.93	119.1	574.
Grand Total	9.2	53.0	149.6	1,071.6	5,640.9

* Budget estimates.

Adding to the federal figures the state and local tax revenues for which no exact figures are as yet available, and which may be estimated at some fifty billions (milliards), the total estimated tax burden in Germany for 1921 (corresponding to 1922 for the United Kingdom) would represent some 200 billions (milliards) of marks. It must be remembered, however, that this period witnessed the collapse of the German currency, which, beginning in 1920 and 1921, assumed cataclysmic proportions in 1922. As a consequence not only were the actual receipts in paper marks in 1922 and 1923 far greater than the estimates

[1] The figures for 1920-1923 are from the *Statistiches Jahrbuch*, 44th Issue, 1923, p. 317. Those for 1919 (not found in the published reports) are taken from a statement of the German Government furnished to the Bankers Trust Co. of New York, and kindly loaned by Mr. Harvey Fisk.

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here given, but owing to the violent daily fluctuations it is virtually impossible, without endless calculations, to reduce the actual revenues to gold marks.

United States. The normal income-tax rate was reduced in 1920 from 6–12% to 4–8% and in 1922 the supertax was reduced from a maximum of 65% to 50%, so that the maximum total rate was now 58%. The excess-profits tax was reduced from 30–65% to 20–40%. On the other hand, the federal estate tax was increased from a maximum of 20% to 25%. Beginning with 1921 there came a reduction in some of the miscellaneous taxes, especially the taxes on communication and the "nuisance taxes". In the table appended herewith will be found the tax revenues in millions of dollars.

	1920	1921	1922	1923	1924*
Customs	324	308	358	562	570
Income and profits tax	3,957	3,228	2,087	1,679	1,850
Other internal revenue	1,121	1,351	1,121	946	934
Miscellaneous	1,302	694	538	660	541
Total ordinary	6,704	5,585	4,104	3,847	3,895
Post Office	437	463	485	533	569

* Estimates.

To the customs and internal revenue we must add, in order to present a picture of federal taxation, the following items included under the head of miscellaneous: federal bank tax (59.8 millions in 1922, 10.8 in 1923), tax on bank circulation (4.5 millions in 1922, 4.3 in 1923) and the immigrant head tax (2.5 millions in 1922, 4.2 in 1923). The result is a total federal tax revenue of 3,630 millions in 1922, of 3,204 millions in 1923 and of 3,375 millions (estimated) in 1924.

The new Census figures give the state and local revenues for 1922 as 4,229 millions.[1] A reasonable estimate is that they have increased to about 4,350 millions in 1923 and will amount to 4,475 millions in 1924. This would give a total tax —federal, state and local—of 7,859 millions in 1922, about 7,550 millions in 1923 and of about 7,850 millions in 1924.

[1] It must not be forgotten that the Census figures are for the calendar year 1922, and the federal figures for the fiscal year.

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Conclusion and Comparison

In comparing the extent of the tax burden past and present, it is obviously necessary first of all to present the actual amounts of tax revenue. Assembling the figures which have been arrived at in the preceding pages and remembering, as explained above, that the dates given are only roughly comparable because the fiscal periods in some cases begin and in other cases end in the years mentioned in the respective columns, we should have the following table: [1]

In millions

	1900–1901		1913–1914		1918–1919		1921–1922	
ited States..	$ 1,400	$1,400	$ 2,250	$2,250	$ 6,704	$6,704	$ 7,859	$7,859
ited Kingdom	£ 175	$852	£ 256	$1,237	£ 911	$4,437	£ 1,060	$5,162
ınce	fr. 3,900	$753	fr. 5,080	$980	fr. 6,219	$1,199	fr. 18,547	$3,580
rmany . . .	mk. 2,200	$524	mk. 4,500	$1,071	mk. 11,250	$2,677	mk. 200,000	$47,600

In the next place it is obviously desirable to ascertain the taxation *per capita*. These figures, again only roughly comparable, will be found in the following table:

	1900–1901		1913–1914		1918–1919		1921–1922	
	Population millions	Tax per capita	Population millions	Tax per capita	Population millions	Tax per capita	Population millions	Tax per capita
United States . . .	77	$18.18	98	$22.95	105	$63.84	109	$72.29
United Kingdom. .	42	20.28	46	26.89	46	96.45	48	107.54
France	39	19.30	39	25.12	39	30.74	39	80.97
Germany.	57	8.81	67	15.98	60	44.61	62	767.74

According to the above figures the *per capita* had by the end of the war increased over five times in the United Kingdom, as

[1] In the reduction of the foreign currencies to dollars the pound is taken as $4.87, the franc as 19.3 cents, and the mark as 23.8 cents.

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well as in Germany, about four times in the United States, and only about one-half in France. On the other hand, by 1922 the figures were reversed inasmuch as the tax *per capita* had risen only slightly in the United States and Great Britain, while it had more than doubled in France, and had enormously grown in Germany.[1]

[1] An elaborate set of comparative figures on this general subject will be found in the League of Nations *Report on the* (Brussels) *International Financial Conference,* 1920, vol. III, *Statements on the Financial Situation of the Countries represented at the Conference,* and Paper IV, *Public Finance.* The authors of this report are well aware of the difficulties involved and modestly state (page 3, Paper IV) that "The bases are so uncertain that little importance can be attached to the results of direct comparison." Yet their conclusions have been widely copied.

The pertinent statistics of the report are given herewith:

	Pre-War Revenue per head	*1920 Revenue per head*
United States	$7 = $7	$ 56½
United Kingdom	£4½ = $22	$ 120
France	fr. 129 = $25	$ 47¾
Germany	mk. 50 = $12	$ 12½

In this table there are two weaknesses. The figures apply only to the respective national governments, to the exclusion of state and local governments; and secondly, the figures are those of government revenue, not of government taxation. The table is therefore of little use for purposes of the comparison in which we are here interested. The figures, for instance, of the United States and Germany are entirely too low because of the complete neglect of local taxation; and the 1920 figures for France are entirely too high because of the inclusion of non-tax revenues.

Another set of comparative figures will be found in *Taxation and National Income, Research Report, no. 55,* October, 1922, of the National Industrial Conference Board, New York. These were prepared by my former student, Mr. L. Gottlieb. The pertinent figures of *per-capita* taxes (pp. 28-34) are as follows:

In dollars	*1903*	*1913*	*1918*	*1921*
United States	17.55	22.93	57.59	79.15
United Kingdom	23.55	26.07	75.69	124.84
France	17.02	22.29	30.09	84.32
Germany	11.90	18.69	43.17	243.42

This table is more nearly in accord with the figures in the text. The discrepancies are largely due to the fact that for France the figures do not comprise the monopolies, the revenues from which (apart from the Post Office) ought to be included. On the other hand, the figures include the *taxes municipales,* which, as we have seen (*cf.* above, p. 109), are not taxes at all. For Germany the figures are in large part estimates which do not agree with the later official figures used in this article.

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In the above tables it is obvious that the figures are misleading, as evidences of the real tax burden, because of the changes in the value of money. From 1900 to 1913 the difficulty is not serious because, although there was a perceptible rise of prices during that period, the rise was approximately the same in the various countries. From 1913 to 1919, however, the discrepancies are great. The index number of wholesale prices rose from 100 to 260 in the United States, to 235 in the United Kingdom, to 356 in France, and to about the same proportion in Germany. By 1922 the figures had fallen to 141 in the United States, to 159 in the United Kingdom, to 327 in France, and had risen to 342 in Germany.

It might be claimed, therefore, that the above tables are of little use because the statistics since the outbreak of the war ought to be reduced to pre-war figures. The first part of this claim is indeed valid; but the reason advanced is not correct. For no accurate method of reduction to pre-war conditions is feasible.

To take the market value of the foreign currencies in dollars is illicit, not only because the value of the dollar itself has changed, but because of the frequently great discrepancy between foreign exchange and internal prices. To take the internal index number of prices, either retail or wholesale, as given above, is inadequate because of the failure to include both real estate and wages in the index numbers. Even, however, if these difficulties could be overcome and if the statistics could be reduced to the pre-war level, they would in themselves be of little use for our purpose. A little reflection will show that even accurate *per capita* figures are of no real significance in the endeavor to ascertain comparative tax burdens. For the

Comparative statistics will also be found in the article by Alpha, "Reparations and the Policy of Repudiation," in *Foreign Affairs*, September 15th, 1923, published by the Council of Foreign Relations, New York. For Great Britain, the author quotes (p. 72), figures from the *London Economist* purporting to show that £793 million were collected in taxes. These are far too low even for state taxation and several hundred millions out of the way because of inattention to local taxes. In fact, as all local taxes are omitted in the article, Alpha's figures are absurdly low for Germany, far too low for Great Britain and somewhat too low for France. His conclusions, therefore, are denuded of all importance.

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important point is not how many dollars, whether of pre-war or of post-war valuation, are paid, but what proportion of individual or social income is taken in taxes. A small *per capita* tax in a poor country or in a modest stratum of society may be a very much heavier tax burden than a somewhat larger *per capita* tax in a far richer country or in a far wealthier class of the community.

It is important, therefore, in the next place, to ascertain the revenue *per capita;* and if the *per capita* income is expressed in the same terms, whether pre-war or post-war, as the *per capita* taxation, it makes no difference whether we use pre-war or post-war conditions.

Such an endeavor, however, to ascertain the *per capita* income is fraught with great difficulty. It requires in the first place an exact estimate of the total national wealth and of the entire social income. Such estimates are difficult to make and are inevitably attended with error. If, however, we use the best available figures we should have a table somewhat like this:[1]

	1900–1901		1913–1914		1918–1919	
	Social income in billions (milliards)	Income per capita	Social income in billions (milliards)	Income per capita	Social income in billions (milliards)	Income per capita
United States.	$18=$18.	$234	$33.5=$33.5	$343	$66.8=$66.8	$637
United Kingdom . . .	£1.75= $8.52	$203	£2.35=$10.96	$238	£3.80=$18.54	$403
France	fr. 26= $5.02	$129	fr. 36= $6.94	$178	fr. 50= $9.65	$247
Germany.	mk. 28= $6.66	$115	mk. 43=$10.23	$152	mk. 25= $5.95	$99

[1] The figures of income for the United States are taken from W. I. King, *The Wealth and Income of the People of the United States* (1918); and from *Income in the United States, Its Amount and Distribution 1909-1919.* By the National Bureau of Economic Research, New York, 1922.

The figures for the United Kingdom are taken from Sir Robert Giffen, *Essays in Finance,* 2d ed., 1880, and *The Growth of Capital,* 1889; Sir L. Chiozza-Money, *Riches and Poverty,* 1905, and *The National Wealth: Will it Endure?* (1914); B. Mallett, "A Method of Estimating Capital Wealth from

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From the above table it appears that the comparison of *per capita* income presents a different picture from that of *per capita* taxation, Germany and France creeping up on the United Kingdom until 1913 but losing thereafter.

Possessing then the *per capita* figures of both income and taxation, it is obvious that we shall reach a closer approximation to the estimates of relative tax burdens in the various countries by comparing the *per capita* taxation with the *per capita* income. If we attempt to compute from the above tables such a ratio of taxation to income, *per capita*, the result expressed in percentages would be as follows:

	1900-1901	*1913-1914*	*1918-1919*
United States	7.76	6.59	10.02
United Kingdom	9.99	11.29	23.93
France	14.19	14.06	12.44
Germany	7.56	10.51	45.04

the Estate Duty," *Journal of the Royal Statistical Society,* vol. 71 (1908), p. 65; Mallett and Strutt, "The Multiplier and Capital Wealth," *ibid.,* vol. 78 (1915), p. 555; Sir Josiah Stamp, *British Incomes and Property,* 1916, ch. xl; and *Wealth and Taxable Capacity,* 1921, p. 75.

The figures for France are taken from de Lavergne et Henry, *La richesse de la France,* 1908; E. Théry, *La fortune publique de la France* (1911); R. Pupin, *La richesse de la France devant la guerre,* 1916, and *Richesse privée et finances publiques de l'avant-guerre à l'après-guerre,* 1919; and C. Colson, *Cours d'économie politique,* ed. défin., iii (1918), ch. iv.

The figures for Germany are taken from Dr. K. Helfferich, *Deutschland's Volkswohlstand,* 1888-1913, 7th ed., 1917; and H. Behnsen und W. Genzmer, *Die Folgen der Marktentwertung fur uns und die Anderen,* 1921. The latter put the social income in 1920 at 24.4 milliards. Moulton and McGuire, *Germany's Capacity to Pay,* 1923, p. 196, put the *per-capita* income at about $100.

Comparative figures are found in Edgar Crammond, "The Economic Relations of the British and German Empires," *Journal of the Royal Statistical Society,* vol. 77 (1914), p. 777; Sir Josiah Stamp, "The Wealth and Income of the Chief Powers," *ibid.,* vol. 82 (1919), p. 441; and the League of Nations *Report* mentioned above, p. 140, note 1.

The League of Nations' estimate, converted into $ at the *current* rate of exchange, for social income per head in 1920 is as follows:

United States	$700 = $700	France	fr. 3,200 = $265
United Kingdom	£112½ = $445	Germany	mk. 3,900 = $103

These figures compare reasonably well with those given in the text. In the final report, vol. iv, pt. ii, p. 21, somewhat different figures are given.

The comparative estimate of national wealth compiled for the Washington Conference on Limitation of Armaments and found in W. R. Ingall's *Wealth and Income of the American People* (1922), p. 310, is obviously inadequate.

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From this it would appear that at the beginning of the century the average individual tax burden, measured in the ratio of taxes paid to income received, was greatest in France and smallest in the United States; that at the outbreak of the war the disparity between France and the United Kingdom was less, the relative burden having diminished in France but increased in the United Kingdom, while the burden had become heavier in Germany and still lighter in the United States; and that in 1919, several months after the close of the war, the tax burden was heaviest in Germany where it had more than quadrupled, considerably less in the United Kingdom where it had a little more than doubled, much lighter in France, where it was actually less than at any preceding period since the beginning of the century, and lowest in the United States, despite an increase of about one-half in the burden.

These figures, however, do not present an accurate picture of the true situation. For in estimating comparative tax burdens attention must be paid to the difference between direct and indirect taxes. Where the major share of the tax revenues is derived from indirect taxes most of which reflect themselves in an increased price level, the burden on the lower incomes is relatively great because the rise in wages proverbially lags behind that of prices; while the tax burden upon those in receipt of larger incomes and who are therefore better able to pay is relatively slight. In countries, on the contrary, where the great mass of revenues is derived from direct taxes, the burden on the lower incomes is relatively small, not only because of the graduated income tax but also because of the property taxes, capital levies and inheritance taxes from which are exempted the more moderate tax payers who are able to amass little if any capital; while the burden on the richer classes and the wealthier business men is relatively great. The social effects of excessive taxation, in retarding business enterprise and the accumulation of capital, are therefore especially marked in countries with a preponderance of direct taxation. From this point of view, the above figures must be modified in the sense of declaring the tax burden to be relatively heavier in countries like the United States and Great Britain and relatively

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lighter in countries like France, where indirect taxes play a greater rôle. It is accordingly questionable whether France should really enjoy the dubious distinction of having suffered the heaviest tax burden in 1900 and 1913 and there seems to be no doubt that in 1919 the real tax burden was lowest in France, far and away lower than in the United Kingdom and Germany and really lower than in the United States.

No attempt is made to bring the figures down to date, especially so far as Germany is concerned. A progressive depreciation of the money unit on the stupendous scale in which it has occurred in Germany is equivalent to the heaviest kind of taxation. It is also the worst form of taxation, because while excessive taxation is ordinarily a drain upon individual or social revenues, the gigantic inflation of prices which has occurred in Germany since 1922 has meant a wiping-out not only of incomes but of capital wealth. While it may be true that certain business men may have made paper fortunes through speculation, it is beyond all peradventure of doubt that the German people have become impoverished and that they have suffered through this catastrophic inflation a burden of taxation out of all comparison with that in any other country. So far as other countries are concerned, some interest is attached to the table below, in which the conditions for 1923 and 1924 are compared:

	1922–1923			1923–1924		
	Tax revenues in millions	Population in millions	Tax per capita	Tax revenues in millions	Population in millions	Tax per capita
United States . .	$7,554=$7,554	111	$68.05	$7,849=$7,849	112	$70.80
United Kingdom .	£954=$4,636	48	96.58	£980=$4,773	49	99.43
France	fr. 21,747=$4,197	39	107.61	fr. 19,040=$3,675	39	94.23

The complete figures, if available, would probably show the next heaviest tax burden (after Germany) in Great Britain

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with a considerably slighter burden in France and a still lower burden in the United States. For not only was the *per capita* taxation in France in 1921 (corresponding to the fiscal year 1922 in Great Britain) lower than in Great Britain, but the *per capita* income has during the past few years, owing to reconstruction in the one country and depression in the other, undoubtedly been increasing more rapidly in France than in Great Britain, while considerably more of the French tax revenues are still derived from indirect taxation than is the case in Great Britain. And while the *per capita* taxation in France in 1922, corresponding to 1923 in Great Britain, slightly exceeded that in Great Britain, by 1923 it was again lower, so that the tax burden in relation to income was in 1922–1923 probably less in France than in Great Britain and in 1923–1924 assuredly less.

An accurate comparison of the tax burdens for the future when the currency situation will have again returned to normal, will depend not only upon the preceding considerations but also upon the effectiveness with which the tax laws are actually enforced and upon the degree to which the various strata of society are subject to actual taxation. It would be necessary, for instance, to compare not only the effectiveness of the income tax in reaching the wealthier classes in the different countries but also the actual proportion of individual incomes paid by the poor, the moderately rich, and the wealthy. There are, unfortunately, no statistics available for such investigations. Until they become available, a comparative study of tax burdens past and present will have to content itself with the inadequate and largely approximate figures presented above.

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REVIEWS

Bismarck's Diplomacy at its Zenith. By JOSEPH VINCENT FULLER. Cambridge, Harvard University Press, 1922.—xii, 368 pp. (Harvard Historical Studies, vol. XXVI.)

To students of history Professor Fuller is already well known by an exhaustive article on "The War Scare of 1875," which appeared in the *American Historical Review* in January, 1919. In the present volume, after a brief summary of Bismarck's diplomacy from 1871 to 1885, the author deals minutely with the period from August, 1885, to February, 1888. It was during this period that the treaty of 1879, guaranteeing support to Austria against a Russian attack, was supplemented by the so-called "Reinsurance Treaty" of 1887, in which Russia and Germany each promised neutrality in case either should be attacked by a third power. Considerably more than half of the book is rightly devoted to the relations between these three empires and to the clashes of Austrian and Russian interests and ambitions in the Balkans; but Germany's relations with France, England and Italy are adequately treated. Considering the complexity of the relations studied, the narrative is creditably clear and remarkably readable. Its use by the average reader, and even by one familiar with the diplomacy of the period, would, however, be facilitated by more complete dating. Through whole chapters, months and days are given without indication of the year; and even a careful reader is often obliged to look backward or forward over many pages in order to supplement this omission. In an appendix are printed a letter from Bismarck to Salisbury, dated November 22, 1887, and Salisbury's reply of November 30. There is a useful bibliography, and the index is unusually full and accurate.

The material available for the study of Bismarck's diplomacy, which was very extensive in 1916, when the author began his studies, has been greatly enlarged by the revelations that followed the Russian, German and Austrian revolutions of 1917-18, particularly by the publication of documents which, under normal conditions, would have slumbered for generations in the three imperial foreign offices. Memoirs and reminiscences also have appeared which, but for the

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overthrow of the three dynasties, would hardly have seen the light for many years.

In dealing with conflicting testimony Professor Fuller exhibits a conscientious desire to get as near as possible to the elusive truth. A problem to which he devotes constant attention is that of determining the proportion of truth and falsehood in Bismarck's speeches and writings. From the beginning, he tells us, he felt that Bismarck's statements were "unsatisfactory." This impression was inevitable. A like distrust is promptly aroused by a study of the utterances of any of the Continental diplomatists with whom Bismarck had to deal. Nothing shows more clearly the lines on which European diplomacy was traditionally conducted, even in the nineteenth century, than the fact that during Bismarck's ambassadorship at Frankfort and in the earlier years of his Prussian premiership he frequently deceived his antagonists by a truthful avowal of his purposes. This trick, of course, could not be worked indefinitely; but during the rest of his career frankness and evasion, truth and fiction, were so interspersed that it was as difficult for his contemporaries as it is, and probably always will be, for the historian to determine what he really thought and meant.

The tests that may be applied are obvious. What purpose was any utterance adapted and, in view of the momentary situation, probably intended to subserve? How far did statements of policy represent real German interests? Did Bismarck's acts square with his alleged convictions? In dealing with his utterances after his retirement, including the *Reflections and Reminiscences* written for posthumous publication, we must, of course, make allowance for his desire to justify his own policies and to discredit his adversaries; but where neither of these purposes is to be served, and particularly where he is indicating the lines on which the foreign affairs of Germany should be conducted in the future, the probability that his utterances express genuine convictions becomes very great. This probability becomes almost a certainty in the case of his marginal comments on the "most secret" documents in the German Foreign Office.

Some, if not all, of these tests the author seems to apply; but that which he uses most freely, namely, the test of the immediate purpose, is not used consistently. Bismarck's opposition to anticipatory or "preventive" war, for example, although expressed or indicated not only in public speeches but also in private conversations, in his memoirs and in marginal notes upon secret documents, is pronounced insincere, "mere persiflage," because, on at least two occasions, in

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1875 and in 1887, he himself threatened France with a preventive war (see pages 137-138, note, and 315; also the article in the *American Historical Review*, cited above). In each of these years there was a "war scare," for which, in the author's judgment, Bismarck was primarily responsible. It is clear, at any rate, that on both occasions Bismarck thought apprehension of war politically desirable. If, in spite of Germany's insistent proclamation of peaceful intentions, French and other European diplomatists were to be seriously alarmed, it was obviously necessary to create an impression that the German government really desired war; and since the most plausible reason for such a desire was to be found in the preventive theory, notoriously cherished by the German military authorities, this theory was invoked. If the commendable utterances of a statesman are to be discredited whenever they seem intended for immediate effect, it is only fair that inconsistent and reprehensible utterances should be taken, in like case, with the same discount.

Strictures on Bismarck's diplomatic methods from an ethical point of view are as safe as they are creditable. Criticisms of his activities or inactivities from the point of view of *Realpolitik* are somewhat risky. In general, and particularly in his excellent fourth chapter on "Bismarck's Eastern Policy," the author justly appreciates the skill and efficiency of Bismarck's conduct of Germany's diplomacy. On page 42, however, he accuses the German chancellor of "culpable inaction," because he allowed the relations between Austria and Russia to be strained almost to the breaking point without making any attempt at mediation. Unsolicited mediation between two sovereign states, however, is always a delicate business. To put diplomatic pressure upon either of two quarreling neighbors may easily turn a friendly power into an enemy. Intervention is therefore to be avoided unless it is clearly necessary. At the time, Bismarck was presumably as fully acquainted with the whole situation as we are today, even after we have examined all the latest revelations. And in fact this crisis, like so many earlier and later European crises, ended without armed conflict.

At the beginning and at the end of his book, Professor Fuller accepts Delbrück's theory that William II in no wise abandoned Bismarck's main policies — that there was no "new course." He tells us that no experiment in European politics was made by Bismarck's successors which Bismarck himself had not made. If this statement be inverted, it would read that Bismarck's successors tried over again every experiment that Bismarck had tried, including those

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which he had abandoned. In this form, however, the statement would be untrue. In the third volume of his memoirs Bismarck indicates, more clearly than in his public utterances from 1890 to 1898, the point in which the new imperial policies were diverging from his own at the moment of his dismissal. In the Reinsurance Treaty of 1887, Bismarck had recognized Russia's interests in Bulgaria as preponderant and decisive. He had stated publicly, and had warned Austria privately, that for support against Russia in the Balkans the Dual Monarchy must look, not to Germany, but to Italy and to Great Britain. Surreptitiously he had indeed helped Austria to gain the diplomatic assistance of these powers, but officially Germany supported every Russian proposal. He would assuredly, as Professor Fuller recognizes, have given no military aid to Austria in a conflict over Bulgaria. In March, 1890, however, when the young emperor was convinced—erroneously, it seems—that Russia was preparing to occupy Bulgaria, he insisted that military counter-measures be recommended to Austria and taken by Germany also. These instructions Bismarck found himself unable to carry out. At the end of the month, a fortnight after Bismarck's dismissal, the emperor told his generals, as we learned years ago from Hohenlohe's memoirs, that Germany must stand by Austria—that he would show himself "a loyal ally." But if Austria had made war on Russia because Russia had occupied Bulgaria, and if Germany had given military support to Austria, Germany would have openly violated the treaty of 1887. William's attitude shows clearly why he was unwilling to renew the Reinsurance Treaty. Open diplomatic support and eventual military support of Austria's Balkan interests, thus foreshadowed in 1890, was certainly "a new course." It was also a course which Germany thereafter followed. It was as Austria's "loyal ally" that Germany precipitated the World War.

The non-renewal of the Reinsurance Treaty is treated by the author as a matter of slight importance. The Russian emperor had learned that Bismarck was not a very "honest broker," and he was relieved rather than disappointed by the German refusal to renew the treaty. But he himself had been ready to renew it, because its observance by Germany, even if that observance were purely formal, would have been of advantage to Russia. Bismarck insisted that its renewal would have been of advantage to Germany also; that it would at least have impeded, if it had not prevented, a Franco-Russian alliance; and on this point his opinion is worth at least as much as that of any modern historian.

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Further changes in German policy came with the disappearance of the Bismarckian theory that Germany should regard itself as a "satisfied nation." William II could not accept this view, and it was repudiated by the ablest of his later chancellors, von Bülow.

The author admits that Bismarck's successors, even when they apparently continued to follow Bismarck's policies, showed themselves less skillful. In his "far-sighted estimate of probabilities lies the essential difference between Bismarck's policy and that of his successors" (page 53). And yet, in his concluding pages, as elsewhere, he tells us that the collapse of Bismarck's whole system of European checks and balances was inevitable, and indicates a belief that all the disasters that have overtaken Germany were the necessary results of Bismarck's policies. Such a reading of history, in which the factors of human wisdom and folly are dismissed as negligible, is not easily to be distinguished from fatalism.

MUNROE SMITH

The American Revolution. By CHARLES HOWARD MCILWAIN. New York, The Macmillan Company, 1923.—xi, 198 pp.

Professor McIlwain is gifted with the happy and none too common faculty of so exposing historical problems as to invite others to attempt their solution. Everything that he writes is stimulating in marked degree. His *High Court of Parliament* suggests a score of researches, some of which have already been undertaken. His latest volume, though less extensive in range, is even more provocative and should inspire further investigation of the subjects on which it bears.

Few "verdicts of history" seem to be more unanimous than that which finds unwarranted the view held by many Americans on the eve of the Revolution that the Parliament of Great Britain possessed no legal authority over the colonies. As to the oppressiveness of the parliamentary acts against which Americans protested, there has been wide difference of opinion, but on the question of legality it has been agreed, by American and English historical scholars alike, that Parliament was right and that those who denied its legal power over the colonies were wrong. If historical truth could be ascertained by the simple process of counting historians' noses, it would be heresy to question that Parliament, in the words of the Declaratory Act of 1766, "had, hath, and of right ought to have, full power and authority to make laws and statutes of sufficient force and validity to bind the colonies and people of America . . . in all cases whatsoever." Yet this is precisely what

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Mr. McIlwain does question—the legal validity of an act that still remains on the British statute book. His conclusion that the precedents on the whole sustain the American rather than the British theory of the scope of parliamentary authority is in bold dissent from the canonical view and is sure to arouse no little controversy. It is to be hoped that it will lead also to further careful examination of the precedents.

Mr. McIlwain distinguishes three clearly marked stages in the development of constitutional theory in America during the years before 1776 (p. 152). In the earliest of these the colonial opponents of parliamentary claims relied principally upon the colonial charters. "This stage definitely passed in 1765 when, after a considerable debate, the Stamp Act Congress determined to base their protests upon the wider rights of Englishmen; and charters thereafter played but a minor rôle as subsidiary to arguments of greater scope." In the second stage the major emphasis was placed upon the doctrine of fundamental law above Parliament, of "the British Constitution", alleged to be based on "the law of nature", which guaranteed to all Englishmen certain rights that Parliament might not lawfully violate. The third stage was reached in 1774 when the First Continental Congress denied the legal right of Parliament to bind the colonies in any respect. This was the final constitutional argument of America, for the subsequent repudiation of royal authority was avowedly not constitutional but revolutionary. The author insists that this third claim be carefully distinguished from that based upon fundamental law (pp. 16, 19–20, 157 *et seq*.) and regards it as much the more important of the two as a cause of the Revolution. It was an historical argument, drawn from the historical relations between the realm and the dominions. It was "based solely in British precedent", and it "furnished the surest basis of the whole American contention and the chief reason for believing today that the American claims had a constitutional justification" (p. 20). In the author's opinion, "an opposition based on fundamental or natural law alone might properly be justified against *some* statutes of Parliament—the ones alone which infringed that law—but fundamental law provides no justification whatever for the total denial . . . of the whole legislative authority of Parliament over America. The only adequate justification for that lies in the argument drawn from the relation of realm and dominions" . . . (p. 149).

Be this as it may, appeal to fundamental and natural law was frequently made in support of the ultimate American constitutional claim, and even in the resolution of 1774, which Mr. McIlwain regards as "the first official statement of the final and fundamental constitutional

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position of the American opposition" (p. 114), the right of the colonists to immunity from parliamentary legislation is based, avowedly, on "English liberty", not on "the argument drawn from the relation of realm and dominions". Mr. McIlwain refers to a number of English radicals as having been "in full and conscious agreement" with those Americans who based their repudiation of parliamentary authority primarily on the distinction between the realm and the dominions (p. 150); but the English radical argument for American independence of Parliament was founded on natural right, not on this distinction. It may, I think, be questioned whether the realm-and-dominions argument and the fundamental-law argument were as sharply distinct in the minds of those who urged them as they appear to Mr. McIlwain. The content of "the British Constitution" was always indefinite. The term was not susceptible of precise definition and was elastic enough to afford a ground—whether valid or not—for opposition to the exercise of any or all parliamentary authority over the colonies. It is, however, only fair, as Mr. McIlwain remarks, to judge the constitutional position of the Americans by the strongest arguments they presented, and if the precedents on the whole sustain the contention that the legal authority of Parliament was confined to the realm, the American claim is substantiated, even if other arguments that were used in support of it fall to the ground. It is with these precedents that Mr. McIlwain is primarily concerned, and to them he devotes most of his attention.

Mr. McIlwain believes that before the time of the Long Parliament parliamentary legislation binding the dominions was confined to the affirmance of preexisting law. The act of 1649, which established the Commonwealth, he regards as the beginning of the train of constitutional events that led to the Declaration of Independence. That act declared that "the People of England, and of all the Dominions and Territories thereunto belonging, are and shall be . . . a Commonwealth and Free-State: And shall from henceforth be Governed as a Commonwealth and Free-State, by the Supreme Authority of this Nation, the Representatives of the People in Parliament. . . ." In comment Mr. McIlwain says: "Here for the first time is found that disastrous political subordination to the Englishmen of 'this Nation' and to the 'Supreme Authority' of *their* Parliament, of all other Englishmen outside the realm in the other dominions formerly belonging to the King" (p. 23). The revolutionary character of this enactment, and of all the rest of the Long Parliament's legislation after the outbreak of the Civil War, will not be questioned, but it does not follow,

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of course, that Parliament had never before legislated for the king's dominions beyond the realm. The fact that some of the Tudor statutes relating to the royal supremacy expressly apply to the dominions Mr. McIlwain undertakes to reconcile with his hypothesis by the statement that these acts merely affirmed a royal authority "assumed (rightly or wrongly) to have existed from a time beyond legal memory in the right of the Crown alone" (p. 24). But there are other Tudor statutes that apply to the dominions, and it may well be questioned whether they can all be disposed of in this fashion, *e. g.*, 1 Edw. VI, c. 5, § 1, and 1 Edw. VI, c. 14, § 9. If these are "introductory" enactments—and they sound like it—they will make trouble for the author's hypothesis. And what shall we say of Parliament's claim, in 1 & 2 Philip & Mary, c. 8, to represent "the whole body of the realm of England and the dominions of the same"?

Mr. McIlwain regards Ireland as "the closest parallel to the thirteen colonies in the whole of the old colonial Empire" (p. 80), and the part of his book that will probably provoke most discussion is that in which he calls attention to the Irish arguments advanced in the seventeenth and eighteenth centuries to show that the English Parliament had no legal power to make laws binding on Ireland. The substance of the Irish claim, often repeated subsequently by Irish political leaders and pamphleteers, was presented in *A Declaration setting forth How, and by what Means, the Laws and Statutes of England, from Time to Time, came to be of Force in Ireland*, probably the work of Patrick Darcy, a member of the Irish House of Commons, and written about 1644. The cardinal points of the argument were that Ireland from the twelfth century onward had been a distinct dominion of the king's, separate from the realm of England, and that it was not bound by introductory statutes passed by the English Parliament. From an examination of the precedents the writer concluded that acts of the English Parliament declaratory of common law had always been in force in Ireland, but not statutes making new law, unless and until approved and enacted by the parliament of Ireland. Except for a briefer argument by Darcy, delivered a few years earlier, Mr. McIlwain views this *Declaration* as "the first exposition of the American constitutional doctrine on parliamentary authority outside the realm" (p. 36). At any rate, such a statement as the following, regarding the relations between the English realm and the outlying dominions of the king, is entirely in harmony with the theory of the British Empire expressed a century and a quarter later by Franklin, John and Samuel Adams, Jefferson and other American leaders, and, it may be added,

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with present-day expressions of opinion as to the conventional, though not the legal, relations between Great Britain and the self-governing Dominions:

For although all the People of *England*, *Scotland* and *Ireland*, are subjected to the King's Majesty, yet the same is, *respectu diversorum*—in divers respects. And each Kingdom hath its own several Parliaments, and several and distinct Laws: and it doth not thereby follow, that the Parliament of one of these Kingdoms should be subordinate or subject to the controul of another; for by that reason, the Parliament of *Scotland* should be subordinate to the Parliament of *England*, which hitherto never was; . . .

The *Declaration* elicited an *Answer*, written by Samuel Mayart, a justice of the Court of Common Pleas of Ireland. It may profitably be compared, as Mr. McIlwain suggests, with the opinions respecting the constitutional relations between Great Britain and the colonies expressed at the time of the American controversy by Lord Mansfield. Both the *Declaration* and the *Answer* would prove of great interest to students of the American Revolution and of British imperial relations and might well be reprinted, since the work in which they were published—Walter Harris's *Hibernica*—is rather rare and difficult to obtain. Mayart drew conclusions from the precedents directly opposite to those reached in the *Declaration*. Ireland, according to him, was not a distinct dominion like Scotland, but "was and is a member of *England* united to it, and as a part and province of *England* governed. . . ." The right of the English Parliament to bind Ireland by declaratory but not by introductory laws he called "a difference without a diversity". If the English Parliament could legally "declare what is law which shall bind in *Ireland*, why should they not as well have power to make a new law to bind it?" In his opinion, "to have power to declare what the law is, and to cause it to be executed, as it is declared, is the most sure and undeniable argument of power in them that command, and of subordination in them that obey, that can be."

Mr. McIlwain thinks that the weight of precedent, on the whole, is on the side of the Irish contention, and his opinion is entitled to great respect. He is far from dogmatic, however, and he concedes that it would be very difficult to prove the validity of the Irish distinction between declaratory and introductory statutes as a criterion for determining the extent of the authority of the English Parliament over Ireland, though no more so, he thinks, than it would be to prove its invalidity.

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Whatever may be the historic merits of the Irish claim—and it would be highly presumptuous to venture an opinion on this subject without prolonged study of all the precedents—it is not irrelevant to observe that it apparently left the ultimate determination of the question of whether a given statute was declaratory or introductory to the English Parliament; and that, if this be true, it afforded the Irish no constitutional ground for resisting the most despotic act ever passed for Ireland by the English Parliament, the Declaratory Act of 1719, which affirmed the full legislative authority of the English Parliament over Ireland, since this statute, on the face of it, professed to be declaratory and not introductory. In this connection it seems significant that the Irish leaders of a later time were not content with a mere repeal of the Declaratory Act, which they secured in 1782; they insisted also upon a specific renunciation by the English Parliament of its claim of right to bind the people of Ireland in any case whatever. The Renunciation Act of 1783 covered declaratory as well as introductory laws, and from the time of its enactment till the Act of Union, Ireland and Great Britain were, without doubt, kingdoms coordinate in law. In passing, it may be remarked that the Irish admission that English statutes declaratory of common law were binding on Ireland does not seem to be reconcilable with Mr. McIlwain's opinion, expressed in a quotation which he gives (pp. 68–69) from his paper on "Magna Carta and Common Law" (published in *Magna Carta Commemoration Essays*), that in the Middle Ages the consent of all was regarded as necessary for the binding enactment of law common to all (*i. e.*, common law), for the "all" to whom the law was common included the people of Ireland, and they were not represented in the English Parliament. In his discussion of the Irish claim the author is here concerned with it only as an analogue of the American claim. He gives no evidence to show that the former had any actual influence upon the latter, but he believes that it had an influence, and he promises to present at some future time the results of his investigation of this interesting subject (p. 61).

The brief consideration of the relation of Parliament to the Channel Islands (p. 83 *et seq.*) suggests the desirability of further elucidation of this theme, and the examination of the nature of allegiance, especially as expounded in Calvin's case (p. 91 *et seq.*), is very illuminating. But the author's treatment of these topics cannot be even touched upon here.

Mr. McIlwain has not succeeded in keeping his book wholly free from error in statement, and from some of his opinions the present re-

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viewer at least is compelled to dissent. But no reader who appreciates the difference in historical research and composition between simple good intentions and capacity of a very high order will fail to be impressed by this brilliant essay in Anglo-American constitutional history. Even if it does not turn out that Mr. McIlwain was an Athanasius *contra mundum*, he has at any rate given the American constitutional claim some standing in court. Historians, if they are well-advised, will not in future pronounce it "absurd" or a mere pretext, as some historians have done light-heartedly in the past.

ROBERT LIVINGSTON SCHUYLER

Germany's Capacity to Pay. By HAROLD G. MOULTON and CONSTANTINE E. MCGUIRE. New York, McGraw Hill Book Company, 1923.—xiii, 384 pp.

From the welter of conflicting opinions which have arisen out of the reparation clauses of the Treaty of Versailles it affords satisfaction and relief to turn to a discussion of the problem by those who are really competent to discuss it. The problem of Germany's capacity to pay is entirely an economic problem. It is therefore a problem with which trained economists alone are equipped to deal.

Professor Moulton has established for himself an enviable reputation as an expert in the field of economic, and particularly of financial, research. It goes without saying, therefore, that any conclusion at which he arrives is a conclusion based on a painstaking consideration of available evidence. And as the head of the Institute of Economics, having the staff of the Institute at his disposal, and benefiting by the objective criticism of the members of the Council, it could hardly be expected that any promising factual lead would be neglected. Professor Moulton and Dr. McGuire with their able assistants of the Institute, have carefully brought together all the relevant available data, and they have produced a book which may be accepted as nearly authoritative and final as a discussion of so difficult and complex a question could be expected to be.

The book is made up of eight chapters and an appendix. In the first chapter the authors lay the groundwork for a consideration of the reparations problem by discussing in general what paying foreign debts involves. Then in chapter vii, since the French indemnity payment in 1871 is often held up to the Germans as a model of what an honest and determined people can do, the authors show exactly how the French arranged for their indemnity payments. In the last chapter

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the authors outline the broad international implications of the reparations problem and indicate what economic policies the nations interested in reparations would have to pursue if they really expected to obtain them. The remaining chapters study in detail the specifically German aspects of the problem.

Taking up first Germany's international balance, the authors show that for twenty years before the war this balance was unfavorable. At the same time to meet the needs of developing credit machinery Germany had to import gold and silver. The deficit in the visible trade balance was made good by interest on foreign investments, shipping and inland transportation charges on foreign goods, and by banking and insurance charges and commissions. But for the ten years preceding the war the net credit balance was smaller than for the previous decade and Germany was almost chronically a borrower in the principal European money markets.

The expansion of exports by which alone, in the last analysis, international credits are built up, would, owing to German dependence upon imported food and raw material, require a corresponding increase of imports. Hence Germany could not greatly have increased its favorable balance. In the exceptionally favorable year of 1913, our authors show that she could have met less than half the reparation sum stipulated by the London "agreement" of 1921.

The war, of course, completely undermined Germany's trade and financial position in the international market. A trade deficit of some fifteen billion gold marks was rolled up. This was met through the sale of foreign security holdings, through the foreign sale of domestic securities, through short-time credits and through the sale of German marks to foreign speculators. Through sale and direct loss of foreign holdings our authors estimate that at the close of the war Germany was fortunate if she retained as much as three billion gold marks' worth of foreign investments. The return on this reduced holding would not pay for many imports.

From 1919 to 1923 Germany has steadily augmented her deficit. For the four years in question this deficit amounted to eleven billion gold marks. Against this our authors estimate that the "invisible" credits from interest, shipping earnings, tourist expenditures, etc., could not have exceeded one billion.

Upon this deficit were heaped the payments under the Treaty. Taking the London agreement of May 5, 1921, as the basis of the amount for which Germany was liable, our authors, studying both the payment claims made by the Germans and the much smaller amounts

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allowed by the Reparation Commission, endeavor to arrive at reasoned opinions of their own. The discrepancy between the Allied and the German estimates is attributed to three circumstances: first, the provisional character of the Reparation Commission's calculations; second, the difference in valuations placed by the Commission and by the Germans respectively, and, third, the exclusion by the Commission of such payments as are not technically to be included in "reparation." On the basis of an impartial analysis and appraisal of all the relevant considerations and claims our authors conclude that, irrespective of the amounts which the Reparation Commission may have credited her, Germany had up to 1923 actually parted with tangible values equal to twenty-five or twenty-six billion gold marks.

How were these huge sums paid? Allowing something like eighteen billion gold marks which covered securities owed to her by her war-time allies, German property seized in the Allied countries and German state property in ceded territory, all of which together required no further exportation of German wealth, our authors show how the balance was paid in cash and in kind. The cash was raised through the sale of the remnants of German foreign investments, from the sale of paper marks to speculators and from the sale to foreigners of shares of stock and of property in Germany. In connection with the criticism that the sale of paper marks by the German government was an act of perfidy and duplicity our authors quote Rathenau to the effect that these sales were in response to a spontaneous demand that arose in many countries, much to the surprise of the German government, which had found it almost impossible to market abroad interest-bearing bonds, but which encountered no difficulty in securing a ready market for irredeemable, non-interest-bearing paper.

What payments can Germany be expected to make in the future? Our authors conclude that income from the "invisible" items in the future may, during a period of reparation payments, be regarded as negligible. Hence any payments that Germany can be expected to make must depend upon favorable trade balances. To regain her export trade she will need some fourteen billion gold marks of essential imports—food and raw materials—and any reparations that she can pay will be limited to her export surplus above the fourteen billions of essential imports. This implies an annual export considerably in excess of the 1909–1913 average. In 1922 exports were less than half of the estimated required total. The upbuilding of the export trade requires in turn not only a restoration of German productive efficiency but also the extension of foreign markets. No reparation

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payments need be expected if barriers are successfully erected against the development of German export trade.

As bearing intimately on reparation and on Germany's capacity to pay, the budgetary problem and the inflation of the currency are also discussed. It is shown that for a quarter of a century preceding the war the fiscal needs of the government increased threefold. And since the separate states held on to their privileges of direct taxation the federal government had to rely on indirect taxation. Only three times, from 1886 down to 1914, was the budget "balanced" without incurring a deficit. The result was naturally a steady increase in indebtedness. With respect to this debt the war simply piled Pelion upon Ossa, and in addition, advances from the Reichsbank were made with such frequency and in such volume that the metallic reserves of the central bank were reduced from a pre-war level of 55% to 10% by the end of 1918. During the last two years of the war more thoroughgoing taxation was applied, but our authors conclude that during the war as a whole German taxation was not as rigorous as was that of France and of England. The new German commonwealth after the war thus came into a wretched inheritance. Despite heroic efforts the weak government could only partially cope with the problem of financial reorganization. The result was increasing deficits and expansion of the floating debt. Progressive depreciation of the currency, itself largely attributable to inadequate revenues, further bedeviled the situation by destroying all possibility of orderly calculation. Our authors show that expenditures could not have been appreciably diminished, while on the revenue side, the proportion of the national income absorbed by taxes compares favorably with other countries [p. 189]. Germany was simply exhausted. Her wealth amounting in 1913 to some 300 billions was reduced by 1921 to something like 165 billions [p. 192], while her *per capita* consumption was in 1921 only five-eighths of that of 1913.

The basic cause of currency inflation was the same in Germany as in other European countries, namely, an unbalanced budget. And beyond this Germany had to sell paper marks to foreign speculators in order to raise funds to purchase needed food and raw materials abroad. Our authors state that, after the war, no practical alternative to inflation presented itself, and they show that when once inflation gets under way it cannot be checked. The results of inflation have been so disastrous to the great majority of the German people that our authors consider it preposterous to suppose that a policy of inflation could have been deliberately chosen by the government.

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Finally in the chapter dealing with the payment of the French indemnity of 1871 our authors state: "Contrary to popular notions the French people did not through thrift and economy pay off this huge debt in little more than two years" [p. 220]. They show that "the French government borrowed in one way or another practically all of the funds used in paying Germany" [p. 224]. "Taxes were increased little more than enough to meet the increased interest charges" [p. 226]. The increase in the French debt left a permanent fiscal burden. Moreover, from the international point of view France had to face no difficulties. The trade of the world was not upset and her own balance was distinctly favorable during the period of indemnity payments [p. 229]. Germany, on the other hand, has had to face untoward conditions in every direction. No moral, for German edification, can therefore legitimately be drawn from the French experience.

It can hardly be said that our authors have successfully concealed their own sympathies. Their book constitutes the strongest statement of the German economic case. But their sympathies are not the outgrowth of a nebulous emotionalism. They constitute rather the reactions of generous natures to a poignant situation which reason has analyzed and understanding has mastered.

E. E. AGGER

COLUMBIA UNIVERSITY

A Short History of the British Commonwealth. By RAMSAY MUIR. Yonkers-on-Hudson, New York, World Book Company, 1923.—Volume II, xxxii, 814 pp.

The second volume of Professor Muir's comprehensive undertaking covers the period from 1763 to the present time—or more really to the beginning of the twentieth century, since the crowded and fateful years from 1905 to 1919 are disposed of in a comparatively brief epilogue of fifty-four pages. A general idea of the scope and proportions of the volume may be gained from the captions of the six books into which the work is divided: The Disruption of the Commonwealth and the Birth of New Forces and Ideas (1760–1793); Revolution and War: the Growth of the Second Empire (1789–1815); National and Imperial Reconstruction and the Triumph of Industrialism (1815–1852); The Era of British Complacency and the Adolescence of the Daughter Nations (1852–1880); The Age of Imperialism and the Rivalry of World-Powers (1880–1904); An Epilogue: the Ordeal of the Commonwealth (1905–1919).

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The author's guiding aim is to convey "a broad and clear impression of the general trend of British history, which will explain the growth of the amazing fellowship of peoples known as the British Commonwealth, and the transformation of the agricultural society of the eighteenth century into the industrial democracy of today." In order to show forth this development in all its manifold ramifications he directs perspicuous glances at the larger features of European policies, he ranges over vast ocean stretches and surveys conditions in remote islands and far distant countries. Among other things he even provides an outline sketch of the salient points in the history of the United States. Indeed, a sixteen-page introduction to the American edition indicates that one of the aims of the work is to bring about a better understanding between the two great branches of the English-speaking peoples by seeking to dispel British ignorance of American history, by trying to correct distorted views of Anglo-American relations and by undertaking to inform Americans concerning British domestic and foreign problems and achievements since the two peoples ceased to be parts of the same empire.

Professor Muir writes with admirable temper. "I claim no more", he asserts, "than that I have honestly tried to keep in mind a dictum which is laid down in the text—that no man has a right to express a definite judgment upon a controverted question unless he can understand why men as honest and able as himself have come to quite different conclusions." Nevertheless, in spite of his conciliatory spirit, we observe that at certain great critical moments of British history—notably the American Revolution, the Boer War and the World War—comparatively little space is devoted to the opposing point of view. To cite another example, in narrating the events leading up to the granting of self-governing constitutions in the fifties, he gives us little or no idea of the struggles waged between the Australian leaders and the British officials. While Professor Muir does not ignore the dark side of certain issues in the British Isles, such as the Irish question and various labor problems, he is filled with such a laudable enthusiasm for British attainments beyond the seas, that he is apt to overlook some criticisms of British policy that ought properly to be dealt with.

For a work handling such masses of material, there are remarkably few errors of detail; among the typographical slips the reviewer has noted only two—Van Toyne for Van Tyne, and Roper for Ropes. On the other hand in the rush through space and time, a number of things are touched upon without adequate explanation, and one seeking to

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use the volume for a work of reference, would not infrequently fail to find sufficient for his purpose. Moreover, there are instances where misleading impressions are conveyed, probably owing to the pressing need for condensation. To note only a few examples, Muir fails to do justice to Rockingham, and to the principles involved in the struggle with Wilkes; regardless of the findings of Professor Channing—whose work he cites—he fails to give us what is probably the most likely version of the tea episode, he leaves the whole religious issue in the Revolution untouched, and passes over any reference to the influence of Thomas Paine on the Declaration of Independence; he does not consider that popular faith in the Sinking Fund might offer a partial justification for Pitt's continuance of it and he scarcely does Pitt justice in the unfortunate breach of faith anent Roman Catholic relief; he takes no account of the adroitness of Talleyrand in securing for France a voice in the settlement following the Napoleonic Wars; he repeats uncritically the old story of William IV's arbitrary dismissal of Melbourne. Also, he is very misleading on the Alabama claims; he does not state fully what gave Arabi his excuse for the Egyptian rising; and furnishes no inkling that an attempt had been made to call off the Jameson Raid before it took place; and finally he might have stated that many Irish objected to the land courts because the judicial rents were too high. Lack of space may account for leaving out any reference to the Regency struggle; but something else might have been sacrificed to make room for stating more fully the terms of the Reform Bills and the Parliament Bill of 1911. The bibliographies do not pretend to be complete, but certain works ought to have been included such as *Nationality and War in the Near East*, Weigall's *Egypt, 1798–1915*, and Currey's brief but suggestive little sketch of British colonial policy.

But the review should not terminate with an impression of ungraciousness, when the author has produced so much that is praiseworthy. Much more might be said in the way of commendation, particularly of his excellent sections—all too brief—on social, industrial and intellectual conditions, and of his sage remarks on revolutionary movements in politics and industry—e. g., pp. 407–409. No one, whether specialist or general reader, could fail to read this wise and lucid record without enjoyment and profit.

ARTHUR LYON CROSS

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The Genesis of the War. By the Right Hon. H. H. ASQUITH. New York, G. H. Doran Company, 1923.—x, 405 pp.

If Churchill's volumes are the most interesting narratives concerning the Great War, this book by his former chief is one of the least valuable. In fact it is a most disappointing work, especially if one considers the position Asquith had preceding and during Armageddon. As prime minister of Great Britain he ought to have been remarkably well informed and his well-known personal qualities of statesmanship could have given him a wonderful insight into historical developments that ultimately led to the war. These expectations are sadly shattered by the appearance of his book. We find in it no new facts, no fresh light thrown on the many questions which still need elucidation. Instead, we have a rambling, loose and, to use the author's own words, clap-trap production (p. 213, concerning Ambassador Page). The strangest part of the book is its concern with the Kaiser. Asquith has nothing but contempt for William, a well founded and deserved scorn and disgust, and yet he devotes at least half of his work to discuss the silly *Memoirs* of William, to describe his unworthy personality, to refute his unfounded theories. The reader naturally asks himself: Why so much trouble? Indeed the question of the Kaiser's rôle is pretty well known at present. Unfortunately, from the point of view of serious and impartial historical examination Asquith's book does not stand very much higher than William's *Memoirs*.

The first chapters of the volume give a superficial account of the successive chancellors of Germany. Incidentally Asquith seems to doubt the story of English "overtures" to Germany ever having been made, but relegates the matter to "Chamberlain's forthcoming biography" [p. 44]. More important are the chapters [v–vi] dealing with the "Encirclement" theory; here the reader meets with the first striking disappointment. A whole chapter [v] is devoted to a painstaking refutation of an absurd assertion which William based on a careless citation of Professor Usher, concerning the supposed alliance or agreement concluded in 1897 by England, America and France; the author took great trouble to write letters to M. Poincaré, Mr. Hughes and others and naturally is able to refute this theory. But what does this prove? Certainly nothing against the "Encirclement" theory. The second chapter is likewise a lightweight argument, without any historical value: Asquith tells us that Germany was successfully "wooing Islam", that she had established an "outlet" in Asia Minor etc., hence he says that encirclement did not exist and Germany was

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successful in breaking through. Exactly! Doesn't this show that there was something to "break through"? Besides it was just there, in the Ottoman Empire, that the real clash with English interests came; it was just there, quite as much as in the question of naval armaments, that we find the center of friction between Germany and Great Britain that finally forced the latter to break with the former and "approach" her other rival, Russia. About this latter great change that came over English foreign policies, the author tells us hardly anything, though he ought to know more about it than any other living being, except possibly Lord Grey. Asquith is also very reticent on the most important points. He does not tell us anything of the inception of conversations with France [1905–1906], nor about a peculiar happening of 1911, the "high explosive Mansion House speech of Lloyd George", as Mr. Gooch has recently called it. Asquith always insists that parliamentary control of cabinet policies is a splendid institution, but he is weak in explaining why his own government was recurring so often to the methods of secret diplomacy, behind Parliament's back. That of course leads us to the main and troublesome problem of 1914, which is laid at the feet of two men, Asquith and Grey: how much was the English government really free to decide the matter of participation in the Great War [see for example, p. 99]. His present assertions that this freedom was unchecked are in no way convincing. In July, 1914, neither he nor Grey was so sure about it, and that was the terrible tragedy of their situation; they felt distinctly that some bonds (moral or whatever else we may call them) holding England to France, did exist. The whole trouble hinges on that question: had Parliament, the nation, or even the rest of the cabinet known about these secret transactions, the situation would have been much easier; of this charge neither Asquith nor Grey will ever be freed. We quite agree that there was "no proper place for Great Britain in either of the Continental Alliances" [p. 105], nor were the naval or other preparations for national defense in any way superfluous; but in both cases the least one could expect was that the Prime Minister and his Foreign Secretary would have kept their colleagues and party leaders *au courant* of their policies and of the dangers that did threaten Great Britain.

Chapters xii, xiv and xv are interesting. In the first the author tells us fairly well about the Haldane mission to Germany, characterizing it as an "Exploration"; in the following two he describes in detail the financial and military preparations of England for a possible armed conflict. And if we add to that the inward meaning of the

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agreements with France (1904) and Russia (1907), as well as the efforts of King Edward in Reval (1908) and in Austria (when he told Francis Joseph that the latter ought to break away from Berlin), we have the theory of encirclement rather complete.

In conclusion we must point out the very scarce and superficial source-material that Mr. Asquith used in writing his book: *The Kaiser's Memoirs*, the memoirs of the German Chancellor, the biography of Ambassador Page, Kautsky's book (not the detailed account of Germany's policy, but the short one, concerning William II, at that), a few well-known parliamentary papers, and some statistical data. This is all. . . . Certainly this is quite insufficient. One can only wonder: What is the use of writing such a book?

S. A. KORFF

Organized Produce Markets. By JOHN S. SMITH. New York, Longmans, Green and Company, 1922.—ix, 238 pp.

This book comprises a description of the organization and procedure of organized produce markets, an analysis of the conditions precedent to the establishment of organized trading, a discussion of the effects of such trading upon prices, and a review of the evils and attempted reforms of the system. In considerable part the book covers ground made familiar by earlier writers. Especially in the theoretical aspects of the subject there seems to be little advance over Emery's *Speculation on the Stock and Produce Exchange of the United States* (1896), a book to which the author gives due acknowledgment. However, there are certain distinctive features of the present work. Its international scope is admirable. Though written by an English author and presumably for English students, descriptions of the markets of the United States, Canada, Australia, Brazil, and of the Continental countries are developed in remarkable detail. The demonstration of the interrelations among these markets in the distribution of the staple products of the world makes the study a valuable contribution to the literature of international commerce. Another aspect of the book, which makes it particularly valuable, is the comparison of future markets and mere auctions and the discussion of the conditions which make future trading possible in some products and prevent its development in others. The products reviewed include, besides cotton and the cereals: coffee, tea, pepper, tobacco, sugar and iron. On the whole, there is an excellent fusion throughout the book of descriptive detail and economic generalization. This balance especially characterizes the chapter on grading.

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While the author is very evidently impressed by the valuable functions performed by the exchanges, he is not blind to their evils. One of the evils of organized speculation is, no doubt, the participation of large numbers of outsiders or amateurs. An important economic justification of speculation is that it anticipates future conditions of supply and demand and fixes a price in the present, which is consistent with these anticipated conditions. It is essential that this forecasting of market conditions should be as accurate as possible. It would seem that accuracy would be more nearly approached if all traders were rational and were acting upon reasoned forecasts of the future. Such rational forecasting does, no doubt, characterize the work of professional traders; but it is doubtful if it guides amateur speculators to the same extent. A large number of amateurs or outsiders can, therefore, only militate against the fixing of the "right price". The author admits this but contends that these outsiders are nevertheless necessary to the system. Without them speculation among professionals "would merely redistribute their individual capitals among their number without any increase in the way of profit. For their full activity, an adequate supply of outside lambs to fleece is a first necessity." It is difficult to see the necessity for this conclusion, for a net profit by the whole group is not the incentive for speculation; rather it is the prospect of a profit by individuals. Even with a purely professional market there would be differences of opinion as to the probable future of prices, and this difference gives rise to the hope for profit. In any event, the author recognizes the moral evil of a system which depends upon a considerable supply of lambs to be fleeced by the professionals. "There is thus a conflict between the moral and economic ideals" and, therefore, "the advantages and disadvantages cannot be measured by any common standard."

The book seems to be particularly timely. It has been often remarked of late that the present economic ills of the world are in large part due to an unbalanced production, of which the producers of staple agricultural products are the chief victims. At such a time it is but natural that the producers of coffee in Brazil, of rubber in the East Indies, and of wheat in the United States should seek new methods of valorizing their production. That a difficult economic problem exists in adjusting a variable and largely uncontrolled supply to an inelastic demand must be admitted. The present study shows how this adjustment is brought about through a fixing of right price by the intricate machinery of these organized markets. An open-minded reading of such a study as the one under consideration should make the advocate

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of government price-fixing or of cooperative action for controlling the supply of a product pause before the complex requirements of the situation. Certainly in no markets is there to be found a more nearly perfect adjustment of price to present and future supply of and demand for goods than in these organized exchanges for staple agricultural products.

C. E. GRIFFIN

UNIVERSITY OF MICHIGAN

Forest Resources of the World. By RAPHAEL ZON and WILLIAM N. SPARHAWK. With a Foreword by Gifford Pinchot. New York, McGraw-Hill Book Company, 1923.—Two volumes, xiv, 997 pp.

To men concerned with forests and their products these two volumes will be an invaluable work of reference. Governor Pinchot assures us that to the best of his knowledge this "is the first attempt at a comprehensive inventory of the forests of the world", and that "there is no higher authority in forestry in America" than Dr. Zon. Both authors are "forest economists" in the Forest Service, and have had at their disposal the rich resources of the Department of Agriculture. They have been able to ransack a mass of technical literature, printed in many languages and describing conditions in every part of the world from Trinidad to Papua and from Finland to Tasmania. For each country, big and little, they give the best available information about "forest area; character and distribution of forest; character of ownership; annual growth; annual cut; exports and imports; domestic consumption; progress in forest conservation; and the probable future." An admirable series of maps supplements their text and tables. Perhaps no one will ever read the book through, but thousands of men will consult it to learn the lumber resources of particular countries, the qualities of unfamiliar woods, methods of forest conservation, markets for lumber, and the like. And few searchers need be disappointed if the information they want is anywhere on record; for what the book does not tell they can hunt up in the voluminous references. The one feature lacking is an index to the long lists of "principal trees." If one wishes to find out where balsa wood grows, for example, he may spend a long time turning over leaves, and then not be sure he has found all the places.

What the authors say about "The General Situation" will interest a far larger circle of readers. If Dr. Zon and Mr. Sparhawk are not

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alarmists, it is because they credit us of the general public with capacity to acquire some common sense when the difficulties bred by our heedlessness shall have become sufficiently serious. They expect that reduction in the area under forest will continue to go hand in hand with increasing demands for timber and paper pulp. Yet "there still remain great reserve supplies of practically untouched forest, in Siberia, in equatorial Africa, in South-eastern Asia, and nearby islands, and in the basin of the Amazon." "There are still four and four-tenths acres of forest for each person in the entire world, capable of producing many times the present requirements for wood" (p. 68). All depends upon whether we shall learn to use these resources wisely before we have carried depletion too far.

The crux of the problem "during the next two or three generations, at least, is the conifer forests. . . . The present growth of conifer timber is not quite eighty per cent of the present cut, therefore it is evident that the forest capital is being steadily depleted." Further it is very doubtful whether "the equatorial forest can be counted on to supply a large part of the timber needed by the northern countries." But even here the outlook is not alarming, provided that we change our habits in season. "The potential growth of the existing conifer forests, if they could be put under careful management, is probably three times the present cut" (pp. 70, 71).

All this refers to the world as a whole. In the United States the need for change in policy is particularly pressing. We are cutting each year "between five and six times as much as the net growth" (p. 533). "More adequate measures must be adopted to increase the amount of growing timber, the rate of consumption must be cut down to a small fraction of the present rate, or the United States will have to import enormous amounts of wood." The authors think that "all three things will happen in some degree." The dwindling excess of exports will turn into an excess of imports; a shortage of construction timber with its consequent rise in prices will check the growth of consumption; we shall be forced into a policy of forest conservation. In these ways we shall make ends meet. "Even reduced somewhat in area, the remaining forest land, if under fairly careful management, will be capable of producing enough wood to meet the country's needs." But, "it will require several decades of rather intensive management to bring the annual increment up to the required point" (pp. 550, 551).

WESLEY C. MITCHELL

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Le Déséquilibre du monde. By GUSTAVE LEBON. Paris, Ernest Flammarion, 1923.—291 pp.

The enterprise of indicating what ails a whole mad world and how it may be set to rights is one which will appeal, by its very comprehensiveness, to all right-thinking four-minute speakers and earnestly conscientious drinkers of tea. This brief book explains what modern civilizations are like in the first paragraph, and why Rome fell in the last. Each of the thirty-five chapters, averaging less than six pages apiece, deals with some subject so broad or intricate that an ordinary writer might require the whole two hundred and ninety-one pages to deal with it. But Dr. LeBon is no ordinary writer. Others may speculate, or may entertain "mystical illusions" contrary to the general principles laid down years ago in this or that little book of Dr. LeBon's. They may contend, or go into inconsequent details and exceptions, but he crystallizes the matter into a "brief truth" and passes on. For some reason he cannot endure professors. The Versailles Treaty was a "peace of professors", Woodrow Wilson being the chief sinner against pure verity and brief truth. Especially is Dr. LeBon pained by President Wilson's ignorance of the plain teachings of history.

No future historian need go astray, however, as to the broad principles of his subject, for Dr. LeBon has laid them down in four pages (174 and 179–182). "The destiny of peoples," he tells us, "is determined by psychological influences and economic necessities." For a full demonstration of the "psychological principles, always applicable, not only to the government of men and to the interpretation of history, but, as we shall presently show, to the technical questions of the day, for example the establishment of a tax" (p. 173), it is necessary to read Dr. LeBon's little book, *Lois psychologiques de l'évolution des peuples*. To be a full-fledged, acknowledged disciple of the philosopher of brief truth, one should read this volume entire, but for the student with less time for such matters the author now provides a convenient summary in three-quarters of a page (p. 174). Add to this Dr. LeBon's thirteen propositions on the "fundamental principles of political economy" (pp. 180–182), and you have the "great economic and psychological laws", which, "being inflexible, their violation must always be followed by expiation" (p. 179).

These thirteen final economic truths must not be confused with anything found in "the enormous volumes consecrated to political economy by respectable professors", which Dr. LeBon admits he

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has never read. Nevertheless, he informs us in some detail wherein they are wrong, and besides setting them right condenses admirably into a few sentences the economic lessons taught by the war.

It is really a shame that these brief, adequate principles were not applied to international financial problems in the fourteen conferences, during four years, which have "dispensed much eloquence, very little science, and still less common-sense." Dr. LeBon's own historical sketch of the Alsatian problem (pp. 54–61) gives us some idea of the rejuvenating effect his principles might have upon our grasp of the past, hitherto so grotesquely distorted by professors.

The Alsatians cannot be Germans, because they do not have long heads. It is no use for us to protest that many groups of Germans in southern Germany and Austria do not have long heads either, or that there is no dearth of long heads in Normandy and various other parts of France. Such quibbling is worthy only of professors. Moreover, we presently learn, the Alsatians have always hated the Germans, and the lot of the region was always thrown in with that of Roman Gaul or France (the expression is "*liée . . . au sort de . . .*") until "toward the eleventh century." A mere professor of history, obtuse to "brief truth", might be worried about the smooth transition from northern Gaul, which finally succumbed to the German Franks in the fifth century, to the obscure beginnings of "France" around the little peanut-shaped nucleus with Paris at the center four hundred years later. In spite of his vague statement on the same page (55) about Alsace's attachment to "France" until toward the eleventh century, he states just below that it was "reunited . . . to Germany" in 855. To use the term "Germany" in connection with this date is on a par with speaking of "France" immediately after the Germanic invasions. The first of the Germanic rulers of the "Holy Roman Empire" was not crowned until 962, and to call this state "Germany" before the Italian revolt from Frederick Barbarossa two centuries later still would require a combination of imagination and ignorance hard for a grown person to understand.

Skipping three pages of this history as Dr. LeBon would have it, we encounter Louis XIV in the somewhat hilarious rôle of "respecter of treaties" (pp. 58–9), "in spite of the ardor of his faith, never dreaming of imposing the revocation of the Edict of Nantes" upon Alsace, "although more than half the population was Catholic." Again, a mere professor of history might be moved to inquire if the good Doctor has ever heard of the activities of one Bishop Bossuet, or knows that France did not have Alsace in full sovereignty

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at the time of the revocation of the Edict of Nantes. To give Goethe as the one example supporting a statement that "the Germans themselves . . . recognized that at the close of the eighteenth century, Alsace was completely French" (p. 59), leaves us to wonder quizzically whether the author knows of the honors showered upon this receptive poet by Napoleon, or if he is merely presuming upon the ignorance of his readers.

One example of the application of the LeBon general principles of brief truth to a current problem should suffice. On opposite pages (19, 20), he argues that it was a great error "not to have facilitated the dissociation of the different states of the German Empire", which "spontaneously commenced on the morrow of defeat", and an equally monumental blunder to have favored the disaggregation of Austria, "which the interest of European peace demanded avoiding at any cost." Breaking up Germany, we are assured, "would not have been artificial at all. It is the unity, on the contrary, which was artificial, Germany being composed of different races, having a right to autonomous life, according to the principle of nationalities, so dear to the Allies." Austria, however, unlike the Germany he pictures as a medley of races, possessed a strength of traditions and organization which "only centuries can produce"! In the next breath we encounter the admission that there are nine or ten million "Germans" in Austria who demanded union with "Germany." Even if this type of logic agreed with itself, anyone capable of reading a newspaper must have his own opinion of how it squares with contemporary events.

It should be said in defense of Dr. LeBon that he does not claim to be the only person of his generation capable of thinking straight. There are also his disciples. To be sure, he has been at it so long that it takes place even in his sleep, as evidenced by the dream he relates (pp. 278–9), in which Bismarck and LaFontaine support his views in truly remarkable fashion. This book on a disordered world is dedicated to General Mangin, a disciple who was "guided by my [Dr. LeBon's] doctrines while preparing the decisive victory of 1918." Among a great many others, Theodore Roosevelt is named by the author as a follower so ardent that one little volume never left his side. Presumably he slept with it under his pillow. If we accept the inference, and consider the problem of Roosevelt's greatness solved, it is still permissible to wonder why Napoleon, Caesar and various others stood out from the common run of mankind.

The fact remains that the world is out of equilibrium, and the new prophet, unheeded like the old ones, must mix jeremiads with his

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other wisdom. This fact is explained at the close of the chapter on the fundamental truths of economics. Though "these brief truths will probably instruct nobody", as the author pessimistically puts it, nevertheless, "it is not entirely useless to formulate them. Thoughts are comparable to those seeds which, carried along by the wind, germinate in the end upon the hardest of rocks."

M. M. KNIGHT

BARNARD COLLEGE

Private Diaries of the Rt. Hon. Sir Algernon West, G. C. B. Edited by HORACE G. HUTCHINSON. New York, E. P. Dutton and Company, 1922.—xii, 381 pp.

The present decade bids fair to make its record as the era of great diaries. Whatever else the recent war may have done, it has furnished the opportunity of the diarist and the memoirist. In these *Diaries* of Sir Algernon West, who was Gladstone's private secretary and general manager, a sort of "familiar" and unoffical adviser, we have a record of the intimate sayings of the remarkable group of public men who gathered around Mr. Gladstone in that forlorn hope, his fourth administration. They were men of many views. Some of them wanted Home Rule in Ireland; but most of them did not. Some of them wanted direct military intervention and an active policy in Egypt; most of them did not. It was a red-letter day when a cabinet meeting broke up without an explosion. These men quarreled among themselves, disputed and argued and said unforgivable things, yet upon one point they were all united, in a touching loyalty to the great man who was responsible both to the queen and nation for the conduct of the government. The book is full of chatter. The flippant talk of Lady This and Mrs. That, together with petty gossip about petty offices for petty people, are reported alongside the weighty words of statesmen in serious debate over policies destined to affect world history for centuries to come. Yet even the chatter has its value in making these gatherings in Downing Street seem more like a council of human beings and less like an assembly of that other group of august worthies who used to gather about their Jove on Olympus. Hence this contribution of the diarist is a very human sort of book, and much of its obvious carelessness in construction and disregard of grammatical rules, to say nothing of the trivial character of much that is reported, may be forgiven. It is not a history, nor a memoir, nor a biography, but the stuff out of which histories and memoirs and biographies are made—

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just fragmentary entries, jotted down at the close of busy and anxious days, frequently trivial, often obscure in meaning, yet always interesting and never malicious nor in any way betraying jealousy or petty rancour. There is, moreover, a pathos that shadows every page—a sense of futility in the great sacrifice which loyalty and duty were forcing upon these men in Downing Street. For when Gladstone entered upon his fourth ministry, to the men who rallied about him, his recent success at the polls seemed more like a tragedy than a triumph. They knew that his heart was set upon doing justice to Ireland, and yet, knowing England as they did, particularly the House of Lords, they did not believe that a Home Rule Bill that would satisfy Gladstone could be put upon the statute rolls of Parliament without a bitter and long-continued struggle, and to this task they did not believe that the physical strength of their aged leader was equal. And yet knowing Gladstone as they did, they knew that neither the assurance of political defeat, nor of his own complete collapse under the strain would deter him from taking the fatal step when it was once clear to him that duty led that way. There is something pathetic in the devotion of these men to their old-time chief, as with failing hearing and dimming eyes, but with clear head and marvellous energy for a man of eighty-four, he addressed himself to what he had come to regard with the devotion of a fatalist almost, as the mission of his life. There is something heroic also, for these men did not believe that Gladstone would succeed, but saw the end from the beginning. It was a futile thing that their leader was determined to undertake. Yet they were equally determined to stand by him, and fall when they must, but with their faces toward the foe. There is no finer page in political history than this.

BENJAMIN S. TERRY

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BOOK NOTES

A brief sketch of the career of Roosevelt, with chapters on his early life, on the background of the nineteenth century and on Roosevelt's larger national and international activities, is given by Lord Charnwood in his biography of *Theodore Roosevelt* (Boston, The Atlantic Monthly Press, 1923; xx, 232 pp.). The purpose of the book is obviously not that of making a thoroughgoing study of the career of Roosevelt, or a complete analysis of his political qualities, or an estimate of his significance as compared with contemporary statesmen. It must rather be taken and judged as an appreciative essay, in which literary grace and careful regard to international sensibilities are the characteristic features—a friendly gesture of English literature rather than a scholarly study. When he undertook the work, Lord Charnwood tells us, he demanded that he should be "amply briefed with the worst that had been said of Roosevelt". Evidently he was "amply briefed" both ways. In general the comment is favorable, but the author graciously makes it clear that he might easily have borne down more heavily on the shortcomings of his subject had he chosen to do so. Roosevelt was great, so the story runs, but not a genius; he fought for the right, but others have fought more wisely; he was not merely a statesman nor a scholar, nor a sportsman, but "took life as a whole". This little volume is in no sense a penetrating and exhaustive study of the life of the American statesman, and cannot be judged by any such standards. It is on the whole a graceful and appreciative sketch of Mr. Roosevelt's life. Its chief merits are its compactness, its easy-moving style, its genial goodwill, even though tinged with "a certain condescension". And probably this is what the writer intended to accomplish and no more.

The most scholarly and exhaustive work on the Japanese Constitution which has recently appeared in English is Dr. Tomio Nakano's *The Ordinance-Making Power of the Japanese Emperor* (Baltimore, The Johns Hopkins Press, 1923; xviii, 269 pp.). Even though it deals with a restricted subject, it is really a treatise on constitutional law, for the ordinance-making power is in Japan the keystone of the monarchical arch and, unless it is limited, will continue to be a principal deterrent to the development of parliamentary government. Through ordinances, that is to say, the Diet is kept in its place. Its

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control over the budget is but an empty gesture; for the executive may, in case of a deadlock, put the previous year's budget into effect. There is no rule of law; individual rights are not protected, and the military authorities have greater power than is the case in any other large country. Dr. Nakano is particularly interesting on this point. The Constitution gives the Emperor the supreme military command and he exercises his control through the general staffs of the army and navy, and not through his ministers. Even in respect of the administrative business which must be carried on by the civil authorities, there is no safeguard, for the ministers are a general and an admiral in active service. It is thus true "that in Japan the power to make war and peace is practically in the hands of the military authorities"—that is, the general staffs (p. 155). Dr. Nakano has an interesting discussion of the constitutionality of military supremacy without the countersignature of a minister. His monograph shows great industry in examining the English, French and German treatises on the nature of the ordinance, a thorough acquaintance with Japanese writers, a willingness to take issue with them, and a considerable aptitude for logical presentation.

It is a pity that Dr. Nakano's book was not read by Dr. Rikitaro Fujisawa before he published *The Recent Aims and Political Development of Japan* (New Haven, Yale University Press, 1923; xi, 222 pp.). Dr. Fujisawa was one of the lecturers at the Williams Institute of Politics in 1922, and while his lectures may have interested and amused his audience, they will fail to inform many of his readers. The author describes his efforts as a "cursory interpretation" (p. 209); publication took place after he had left the country and this may account for some of the gaps. There is practically nothing on Japan's international policy, and when the author comes to some of the questions that Dr. Nakano discusses frankly, he leaves the absence of parliamentary control in Japan for disquisitions on the theory and future of democracy. The most interesting point in the book is the suggestion that the Genro, or Elder Statesmen, who are now almost extinct, will be succeeded by a new group of four or five members recruited from the presidents and vice-presidents of the Privy Council, ex-premiers, and lord keepers of the seals. But it is rather rash to say that "the institution will never prove itself a hindrance to the progress of party government, simply because it cannot" (p. 120).

The Williamstown audience was given more food for thought by Messrs. Philip Kerr and Lionel Curtis. Mr. Kerr's three lectures give the volume its title, *The Prevention of War* (New Haven, Yale Uni-

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versity Press, 1923; 170 pp.). After dealing with the mechanical and psychological reasons for war, he outlines the "only road" to international peace. It is the road followed by the United States and the British Commonwealth of Nations—federalism. This serves as an admirable introduction to Mr. Curtis' lectures on the Union of South Africa, the beginnings of responsible government in India, and "A Criterion of Values in International Affairs." His road to peace is the same as Mr. Kerr's. The problem is "how to include in one commonwealth, without destroying its character as such, whole nations in varying stages of progress" (p. 158). Both authors strike a profoundly idealistic, even a religious, note. They contrast strangely with Lord Birkenhead (another Williamstown lecturer) who has said that idealism is impractical and may even "easily degenerate into a deadly source of national peril".

Though written five years ago, C. G. Woodson's *The Negro in Our History* (Washington, D. C., The Associated Publishers, 1922; xv, 393 pp.), was delayed because of the high cost of publishing. While designed for school use the book will probably find its widest circulation among general readers and there is every reason why it should. It is admirably arranged and set up, and well indexed. The numerous illustrations, amounting to more than a hundred, are in many cases well selected, but more than two-thirds are portraits. The preponderance of portraits gives a misleading impression of the book; for the personal side is not overdone, and individuals and their careers are mentioned largely as types rather than heroes. The style is simple, clear and fair-minded. The author, who is editor of the *Journal of Negro History*, has endeavored, as his bibliographical notes at the head of each chapter show, to avail himself of the best secondary material. Some more recent works such as those of Dodd, Fleming and Brawley were not available at the time of writing. The last few chapters, particularly those on "The Negro in the World War" and "The Negro and Social Justice" are inferior in tone and organization to the remainder of the book. Perhaps they serve to emphasize how well written and generally impartial are the earlier portions of the book. Compared, as it doubtless should be, with the histories of other national groups which have contributed to America's making, it will be found to be generally superior to the average in scholarly approach, moderation, and articulation with the major themes of American history.

A very useful collection of sources for the history of the American Revolution and the ensuing "critical period" has been compiled

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by Professor S. E. Morison under the title, *Sources and Documents Illustrating the American Revolution, 1764–1788, and the Formation of the Federal Constitution* (Oxford and New York, Oxford University Press, American Branch, 1923; xliii, 367 pp.). The editor has undertaken to include "(a) all the absolutely essential documents, such as the Declaration of Independence and the Federal Constitution, (b) the more important acts, resolves, state constitutions, royal instructions etc., not easily obtainable elsewhere, (c) samples of the more human varieties of source material, such as debates, letters, pamphlets, Indian relations, and frontier petitions, which illustrate and often influenced public opinion." In his selection from the vast amount of available material Professor Morison has shown good judgment and no disposition to ride hobbies, though one could wish that he had found space for an illustration of the American Loyalist side of the case and an extract from Paine's *Common Sense*. The documents are printed in chronological sequence, but in an Introduction the editor shows the bearing of a number of them upon "The Taxation Question, 1764–70", "The Western Problem, 1763–88", "The Crisis, 1772–6" and "The State and Federal Constitutions, 1776–88". If a second edition of this volume should be called for, an index should by all means be added.

In his edition of *The Laws of the Earliest English Kings* (Cambridge, Cambridge University Press, 1922; xii, 256 pp.) Mr. F. L. Attenborough has in mind the needs of the student of English constitutional and legal history who is unable to make effective use of Liebermann's monumental *Gesetze der Angelsachsen*. It is surely time for a new English edition of the Anglo-Saxon dooms, since the last one, that of Thorpe published in 1840, is out of print and not now generally accessible. As a new edition of the laws from Edmund to Canute is soon to be published under the editorship of Miss A. J. Robertson, Mr. Attenborough does not go beyond the laws of Aethelstan. The Anglo-Saxon text and an English translation by the editor are printed on opposite pages, and there are brief interpretative notes.

Fifteen years ago, when the reform of the House of Lords was on the tapis, there were a number of *livres de circonstance* dealing with the bicameral problem in England. Since then the suffrage has been vastly extended and the constitutional developments in the new states of Europe have made possible a great many experiments with the make-up and powers of second chambers. The problem is still a matter of controversy in England, for the Parliament Act was admittedly temporary, and the Conservatives now view with alarm the possi-

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bility that the Labor party, in undisputed control of the House of Commons, could pass whatever legislation it desired. The veto of the House of Lords would be only suspensory. This, however, according to Mr. H. B. Lees-Smith, is as it should be. His *Second Chambers in Theory and Practice* (London, Allen and Unwin, 1923; 256 pp.) suggests an upper house chosen by the lower on the basis of proportional representation. Its political complexion and its tenure would not differ from those of the larger body. Its power would be confined to suggesting amendments and forcing a delayed reconsideration by the first chamber so that public opinion would have time to express itself. This plan was invented in Norway, and one of the most valuable sections of Mr. Lees-Smith's book is his discussion of the Norwegian "Lagthing." He is slightly misleading, however, when he says that the scheme has been "widely" adopted (pp. 179, 192, 247). Nomination or election of senators by the lower house is used in a few places (Ireland, Danzig, etc.), but it is still the exception rather than the rule. It is only the definite subordination of the upper chamber which has been "widely" accepted in the new constitutions, and here it is the House of Lords as much as the Lagthing which has served as the model. Mr. Lees-Smith is not concerned with European second chambers (except the French Senate) and devotes most of his space to those of the Dominions. His book is the more valuable because he is interested in what the second chambers have done; in the occasions of their conflicts with the lower branches of the legislature. Such an analysis, and not a purely theoretical discussion, is necessary to determine the truth in Siéyès' incomplete dilemma: "If a Second Chamber dissents from the first, it is mischievous; if it agrees with it, it is superfluous."

Similar in form and purpose to his previous volume on the English prime ministers (see POLITICAL SCIENCE QUARTERLY, vol. XXXVII, p. 349) is Mr. Clive Bigham's *The Chief Ministers of England* (New York, E. P. Dutton and Company, 1923; x, 422 pp.). From earliest times the English kings had their ministers, and some of these so overtopped their colleagues as to deserve the name of "chief minister". The list of these great servants of the crown, according to the author, includes twenty-seven names, beginning with Dunstan in the tenth century and ending with Harley in the eighteenth. Thereafter, beginning with Walpole, we have the series of the modern prime ministers. The law knew nothing of such a position as that of chief minister, but Mr. Bigham thinks that it is not difficult to determine who in fact occupied it. "Its holder fills one of the great offices of State, he en-

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joys the special confidence of the Sovereign, he is paramount over his colleagues in the Council, and history seldom denies him the name . . . The roll, therefore, is not arbitrary, but determined by rules that are comparatively fixed, . . ." The biographical sketches are well executed, and some generalizations are presented in a concluding chapter.

Florence M. Greir Evans is over-modest in calling her monograph, *The Principal Secretary of State* (Manchester, Manchester University Press, 1923; 392 pp.), "an inadequate attempt to survey in some detail one of the main branches of Tudor and Stuart administration." It is a revised form of a thesis which won for the author the doctorate in history at the University of Manchester and gives evidence throughout of her thorough training in the technique of historical research and composition. The period covered intensively is from 1558 to 1680, when the secretariat as a great office of state was in the making. A brief sketch of its origin and early history is followed by an account of the men who held the office from the accession of Elizabeth till the latter part of the seventeenth century, after which a description is given of the secretary's office and the signet office, which was under the secretary's supervision, the secretary's relation to the council and to parliament, his connection with domestic affairs and with the other departments of government. The work is based almost wholly upon original sources and throws a great deal of light upon a subject of which very little was known. It is an important contribution to the literature of English constitutional history.

The second volume of Victor Ross's *History of the Canadian Bank of Commerce* (Toronto, Oxford University Press, 1922; xiii, 595 pp.) attains the same high standard set in volume I (see POLITICAL SCIENCE QUARTERLY, vol. XXXVII, No. 2, p. 361). Volume II is more directly the history of the great Canadian bank, but this history reflects in large measure the general development of Canadian economic life. The chapter dealing with "The Yukon Adventure" and "The Bank during the War" have a romantic interest as well as a general importance for students of banking. Similarly chapter vii gives a very useful account of the legislative development of the Canadian system. Much valuable information is also supplied in the appendix. Section ix in the appendix pictures clearly the operation of the branch clearing systems. This and other parts of the history show how the branch system in Canada permits the realization of many of the advantages of centralized revenues that were obtained only with the establishment of the Federal Reserve System in the United States. In every respect the work as a whole stands as a contribution to real scholarship in the field of banking.

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The proper further development of an experiment as great and as important as the Federal Reserve system, requires a careful periodic analysis and appraisal of its accomplishments and its shortcomings. The period of depression that inevitably followed the collapse of 1920 afforded a good opportunity for such a stock-taking of the system. This was undertaken by Mr. H. L. Reed in his *The Development of Federal Reserve Policy* (Boston and New York, Houghton Mifflin Company, 1922; viii, 352 pp.). Mr. Reed combines very effectively a discussion of special aspects of policy with several chapters dealing with the system as a whole, viewed in perspective. In the main he appears to feel satisfied with what has thus far been done, but he is, like many others, critical of the board's post-armistice expansion policy. This policy, he brings out, grew largely out of Governor Harding's acceptance of a price theory which regarded credit expansion as a result rather than a cause of price advance.

The collapse of monetary systems and the volcanic price upheavals that attended the Great War or which followed in its train as an aftermath have focussed attention as never before on the subject of money. Books and articles dealing with the subject have appeared in almost every language. They vary in scope from discussions of single points to comprehensive treatises, while the range of quality is almost equally extensive. One of the outstanding contributions is that of the eminent Swedish economist, Gustave Cassel. His *Money and Foreign Exchange After 1914* (New York, The Macmillan Company, 1922; vii, 287 pp.) supplies an analysis of the monetary difficulties that have afflicted the world since 1914, but even of greater importance is its courageous setting forth of the essentials of a restored stability. Professor Cassel blends theoretical discussion and practical exposition in a highly effective way, and his style is so straightforward and unassuming that even the casual reader will enjoy his book.

Another well written volume designed primarily for the American public is Ernest McCullough's *Everybody's Money* (New York and London, G. P. Putnam's Sons, 1923; xv, 175 pp.). This little book, as its name hints, sets forth the matters which "everybody" should know about the subject of money. Besides supplying an historical background where such is necessary for understanding, it deals with the significance of money in our modern civilization. In this connection it shows what some of the shortcomings of our monetary system have been, and it concludes with a strong argument in support of Irving Fisher's scheme of monetary stabilization. "Everybody" could with profit study Mr. McCullough's interesting little volume.

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The German reparation problem has naturally given rise to much discussion. Most of the discussion is superficial and lacks authority. But now and then a book or an article appears which challenges real attention. Such a book is L. L. B. Angas's *Germany and Her Debts* (London, H. J. Simmonds, 1923; xxviii, 158 pp.). Mr. Angas is the author of *Reparations, Trade and Foreign Exchange* already reviewed in these pages. The present volume discusses critically the whole subject of reparation payment. Most of the discussion is excellent and manifests analytical ability and depth of understanding. But despite well-knit chapter headings, the material in the chapters is loosely thrown together and digressions from the main line of argument are too numerous. Furthermore there is a complete absence of statistical data and an excess of purely deductive exposition. Mr. Angas's style manifests a certain assumption and condescension, and becomes here and there almost flippant. But despite its blemishes the book is well worth reading.

In writing *Risk and Risk-bearing* (Chicago, University of Chicago Press, 1923; xv, 400 pp.) Professor C. O. Hardy has essayed the interesting task of preparing a text on the function of risk-bearing in modern society, as a part of the series of functional studies which the University of Chicago is sponsoring. Necessarily the consistent following through of this functional approach means the regrouping in a novel way of much material which teachers and students have been accustomed to consider in a number of different courses, especially those in insurance, business cycles, stock markets and speculation. The common element of risk-assumption in these activities is intended to give new significance and a social bearing to familiar phenomena. As an introduction to the consideration of many of these difficult subjects, the book will unquestionably be found of value to the teacher who views economic activities from the functional point of view.

In a compilation by Aubrey Drury called *World Metric Standardization. An Urgent Issue* (San Francisco, World Metric Standardization Council, 1922; 524 pp.) there is supplied not only a history of the metric standardization movement, but also a general discussion of the reasons for it, and of the people and organizations that are behind it. The compilation, while complete and well put together, is rather journalistic in style, and, like most propagandist writing, is somewhat overdone. Most students would hardly consider metric standardization as the "most urgent issue" before the world today, and certainly no strength is afforded to the movement by attempting to brand as "German" the prevailing system of measurement in the

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United States. Chapter ii, entitled "Keep the World War Won", with its argument that for this purpose the adoption of the metric standard is essential, borders almost on the ridiculous. But with due allowance for such obvious defects the compilation has much useful material for those interested in the subject.

The building of railroads has been a factor of vital significance in the settlement of the interior of the North American continent, and in the development of its forest, agricultural and mineral resources. In Canada, as in the United States, railroad construction preceded colonization in many portions of the West. How the problem of supplying the transportation facilities necessary to render western lands attractive to settlers was met furnishes matter for interesting chapters in the history of both countries. In *The History of the Canadian Pacific Railway* (P. S. King and Son, Ltd., 1923; viii, 365 pp.) Mr. Harold A. Innis gives a detailed account of the origin and development of Canada's great transcontinental line, describing the conditions, which, both for economic and for political reasons, made its construction advisable, analyzing the policy pursued by the Canadian government in encouraging and subsidizing the project, and outlining the salient features of the railroad's progress as a business enterprise. It may appear to some that the price which the people of Canada paid to have the Canadian Pacific built and operated by a private corporation instead of directly by the government was somewhat high. The services of the railroad in the development of Canada's resources have, however, been immeasurable, even though the financial remuneration for the services went into private coffers. Moreover, the excellent record of Canadian Pacific officials for efficient and economical management justifies the conclusion that the Canadian public has had at least a greater reward for its generosity than the people of the United States have obtained from most of the western railroads which were the beneficiaries of lavish federal aid.

Pulling Together by John T. Broderick, with an introduction by Charles P. Steinmetz (Schenectady, N. Y., Robson and Adee, 1922; 141 pp.), is a popular book, interestingly written and very readable in form. It consists mainly of a reported conversation in a Pullman smoking compartment occupied during a part of a day by a Western manufacturer, a traveling salesman, and Mr. Broderick. The former had recently introduced employee representation into his various establishments and was very enthusiastic about its accomplishments. The conditions that led to its introduction were the frequently recurring strikes due largely to the arrogance of and favoritism shown by the foremen.

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Employee representation, according to the book, solved the problem through the method of conference, and brought in its wake numerous welfare features, and even helped tide the concern through industrial depression. To the student of labor problems, the book is of slight, if of any value. Popular in style as it is, it may serve the useful functions of interesting the indifferent and uninformed to go deeper into the labor problem and of inducing the employer to check up on the faults of his foremen. On the other hand, it will probably lead more to believe that the solution of the labor problem is easy and simple, especially so, since the book discusses very superficially or dismisses lightly many vital matters in the labor problem, for instance, union opposition to employee representation that excludes the expert union leaders. It is doubtful if practical employers will be carried away by this presentation of the subject.

A comforting and optimistic view of the "synthesis of production" is presented in Logan G. McPherson's *Human Efforts and Human Wants* (New York, Harcourt, Brace and Company, 1923; xii, 318 pp.). The book is aimed at the man in the street, or at anyone else who needs to have this subject presented in the simplest possible form, and describes how buying, selling and investment, costs and profits, money and banking, all minister to production and are necessary to the efficiency which the subdivision of labor and large-scale production bring with them. Among the good points of the book may be mentioned the emphasis on the different grades of utilities, the recognition of the widely-distributed incidence of business losses, the conception of fair as against unfair competition, and the description of the function of profits in steering the productive resources into the channels where their product is in greatest demand. The book also emphasizes the different stages of production, largely in order to show how each is necessary to the ultimate result, rather than for the purpose of drawing distinctions between the characteristic problems of different types of businesses. Perhaps the chief weakness of the book lies in a tendency to sweeping statements and to generalities which lack precision of meaning. The author apparently assumes that the right of property must include the right of sale, and he seems to give *private property in business* the benefit of the proposition that the abolition of property rights would bring social chaos—a statement which is hardly self-evident unless it refers to the abolition of all property rights, private or collective, absolute or restricted. The author also defines "want" as synonymous with "demand", implying not merely desire but purchasing power—a procedure which lends itself to a confusion of demand

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with utility, and to the assumption that business profits are a measure of the volume of utilities produced. There is one curious expression, often repeated, to the effect that one thing "has the ratio of exchange of" some other thing, such as a material which has been consumed in the process of production. This serves as an interesting test of the question whether "ratio of exchange" is an all-sufficient definition of value, but it can hardly improve the simplicity of the exposition, from the point of view of the man in the street.

The literature on personnel management increases at a rate which makes it necessary for new authors to have a clear justification for their offering in terms both of purpose and of accomplishment. Messrs. Scott and Clothier bring to their task a peculiarly valuable and attractive equipment, and they are wisely content to make their volume, entitled *Personnel Management* (Chicago, A. W. Shaw Company, 1923; xxii, 643 pp.), significant in its clear and forceful presentation of a point of view and of methods which have had extensive trial at their hands. The significant contribution of this volume is in its emphasis upon the importance of individual adjustment in industry. As the authors say, they have attempted to set forth "the principles underlying the creation and maintenance of these wholesome adjustments, to define the instruments necessary in the work, and to suggest how they can be utilized most effectively in making these principles active, dynamic forces in management." In order to secure the proper adjustment of the individual to his work, it is, say the authors, necessary to have three points in mind: the workers' capacity must be known; the necessary opportunities must be found; and with these two assured the individual's interest should not be long in coming. Indeed, these three words, "capacity", "opportunity", "interest", are used as keynotes of the entire study. Because of this emphasis upon individual fitness, considerable attention is paid to test procedures both of special abilities and of mental alertness, and also to rating scales. And although the entire field of personnel activities is covered so far as chapter headings are concerned, the line of thought in each chapter is strictly limited by this theme of individual adaptation. Indeed, methods of record-keeping and of testing are introduced throughout the study in ways which are new and highly suggestive. The authors are soundly in line with current developments when they say that the trend in this whole field of work is "toward the decentralization of personnel work with centralized control." The suggestions contained in the chapter on research are perhaps the least definite and specific of any chapters of the book. Surely more definite and concrete research

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projects can be suggested to industrial managers than are here proposed. It is hardly sufficient to tell them they need to know more about "the worker-in-his-work" relation. In conclusion, this book represents a valuable addition to the literature of management, and one can only hope that it will have the influence it should in perpetuating and stimulating experiments in the use of test procedures along lines which the Scott Company was pursuing in its more active period.

G. D. H. Cole's *Trade Unionism and Munitions* (Oxford, The Clarendon Press, 1923; xii, 253 pp.) is one of the numerous volumes on the Economic and Social History of the World War, published on behalf of the Carnegie Endowment for International Peace. In it Mr. Cole draws together materials and impressions and records them, as he says, with a minimum of deductions and conclusions. Preliminary chapters on the munitions industries and unionism before the War and what dilution was, are followed by seven chapters in which dilution and related matters, as affected by legislation, government orders, and agreements, are traced step by step. Chapters xii and xiii deal very briefly with the restoration of pre-war practices (most of the old practices have been restored with surprisingly little difficulty) and recent trade-union developments. Chapter xiv, briefly setting out some conclusions, is followed by four appendices of considerable value. The recording of fact and impression has been acceptably done. The volume will be of value to two groups of readers, those interested in piecing together the history of the World War, and those interested in trade-union assumptions, theories and practices. Its chief value lies in the fact that it adds to legislative acts, government orders, and well-known agreements entered into by employers, unions and government, the intimate knowledge and impressions of the author. Mr. Cole was adviser to the Amalgamated Society of Engineers, which was the most important labor organization concerned, and which occupied a more or less strategic position in the situation.

A useful account of the activities of *The International Seamen's Union of America* has been written by Arthur E. Albrecht (Bulletin of the U. S. Bureau of Labor Statistics, No. 342, Washington, Government Printing Office, 1923; 120 pp.). The treatment is historical and descriptive, with scarcely any attempt at criticism and appraisal. After setting forth the historical development of the union from the time of its organization in 1892, to 1922, the author discusses (1) the legislative campaigns carried on by, or in behalf of, the seamen, with special emphasis wisely laid on the LaFollette Act of 1915; (2) the war situation and its effect upon shipping and upon seamen; (3) in-

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ternational relations; (4) jurisdictional disputes and (5) the fight against radicalism, that is to say, the I. W. W. An appendix contains the constitution of the union as of 1922; statistics of prevailing wages paid to able seamen and firemen, 1895 to 1922, and statistics of membership of the unions constituting the International, 1899 to 1922. Almost simultaneously with the appearance of Mr. Albrecht's study of the International Seamen's Union, there has appeared a similar account by Paul S. Taylor, of the University of California, of *The Sailors' Union of the Pacific* (New York, Ronald Press Co., 1923; 188 pp.), which is one of the constituent unions belonging to the International Seamen's Union. Mr. Taylor, since he has confined himself to a narrower field, naturally has been able to produce a much more detailed and thoroughgoing record and analysis of the Sailors' Union than could Mr. Albrecht in his wider study. Mr. Taylor begins with a general discussion of "seamen and seamanship" and then devotes the greater part of his book to an historical-descriptive account of the development of unionism among Pacific Coast seamen from 1866 to the present day. The last two of his eleven chapters deal, very effectively, with problems of organization and policy. The book is provided with an index.

The general reader as well as the importer and manufacturer who desires non-technical exposition and analysis of the laws relating to entrance of merchandise into the United States will welcome Benjamin Arthur Levett's *Through The Customs Maze* (New York, Customs Maze Publishing Company, 1923; 189 pp.). In this little volume the author develops the thesis that the administrative features of our tariff laws are vastly more consequential than the rates of duty levied. After discussing at length the problems of classification, valuation and undervaluation he devotes a chapter to "The American Valuation Plan" which was so earnestly advocated at the last Congress that it passed the House. By this plan all *ad valorem* duties would be based on the American rather than the foreign value of imported articles. Chapter vii deals with the flexible provisions of the Fordney tariff, and chapter viii with the Anti-Dumping Law. A striking feature of this chapter is the comparison which the author makes between the somewhat cumbersome and involved language of the law of the United States and the simple, plain, effective language of the Canadian Anti-Dumping Act. Numerous anecdotes and incidents not only add zest to the work but serve to illustrate many characteristics of the law and procedure. Senator Smoot's discussion of the American plan of valuation is added as an appendix. The volume, while remarkably free from typographical errors, has no index.

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As a contribution to the history of diplomacy Kâlidâs Nâg's study of *Les Théories diplomatiques de l'Inde ancienne et l'Arthaçâstra* (Paris, Maisonneuve et Fils, 1923; 149 pp.) possesses a worth by no means restricted to Orientalists; and since India, practically uninfluenced by the rest of the ancient world, was the first to develop a formal theory of interstate relations, a survey of her system is of real interest to students of the evolution of international law. Diplomacy originated much earlier than is commonly supposed, for its germs are present in the Tell-al-Amarna tablets of the Eighteenth Dynasty of Egypt (ending about 1327 B. C.) and in the embassy of Megasthenes, the envoy of the Syrian Seleucid Nicator, to the court of the Indian Candragupta (about 300 B. C.). In the Vedic period (1500–500 B. C.) one finds only the rudiments of diplomacy; but in the *Mahābhārata*, the chief epic of India, whose oldest portions are probably as early as 500 B. C., the science is considerably elaborated, notably in I, cxlii, and XII, cxl. By far the most important source for a knowledge of Indian diplomacy, however, is the *Arthaçāstra* ascribed to Kautilya, the prime minister of Candragupta, though *kautilya* may mean merely "crookedness," and the work as we now have it can scarcely be older than the third century A. D. In discussing this treatise Nâg considers successively the theory of the sovereign (pp. 65–69; *cf.* 15–23), the ministers (pp. 69–71), the realm (p. 72), fortresses (pp. 72–73), treasure (p. 73), the army (pp. 73–74), and allies (p. 74). The relation of a state to its enemies and allies is set forth at some length (pp. 74–77), as is the "sextuple method" of understanding, war, equilibrium, expansion, support, and double relation (pp. 78–81). The account of the "sextuple method" well illustrates the the general principles governing Indian diplomacy (p. 78): a defeated Power should reach an understanding; a growing Power should make war; when neither Power can destroy the other, equilibrium should be maintained; a Power with superior forces should undertake expansion; a weak Power should seek support; and the double relation of hostility toward one Power and of friendship toward another should be the policy if assistance is needed. An attentive reading of Indian history from the earliest period makes it clear that the system set forth by the *Arthaçāstra* was no mere academic theory, but actual practice; and that it presents views as inherent in the Indian mind to-day as in the remote past.

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